



0000011940

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission

DOCKETED

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1999 AUG -6 P 4: 48

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2 CARL J. KUNASEK
Chairman3 JAMES M. IRVIN
Commissioner4 BILL MUNDELL
Commissioner

AUG 0 6 1999

AZ CORP COMMISSION
DOCUMENT CONTROL

DOCKETED BY

6 IN THE MATTER OF THE APPLICATION
7 OF U S WEST COMMUNICATIONS, INC.,
8 A COLORADO CORPORATION, FOR A
9 HEARING TO DETERMINE THE EARNINGS
10 OF OF THE COMPANY, THE FAIR VALUE
11 OF THE COMPANY FOR RATEMAKING
PURPOSES, TO FIX A JUST AND
REASONABLE RATE OF RETURN THEREON
AND TO APPROVE RATE SCHEDULES
DESIGNED TO DEVELOP SUCH RETURN.

DOCKET NO. T-1051B-99-0185

U S WEST COMMUNICATIONS,
INC.'S RESPONSE TO AT&T'S
MOTION TO COMPEL12
13 U S WEST Communications, Inc., by its attorneys,
14 submits the following response in opposition to AT&T
15 Communications of the Mountain States, Inc.'s Motion to Compel
16 responses to its first set of data requests.
17INTRODUCTION18
19
20 AT&T has filed a motion to compel responses to certain data
21 requests that request information about transactions that
22 occurred in the past or that may occur in the future. AT&T did
23 not attempt to confer with U S WEST prior to filing its motion to
24 compel and made no prior effort to determine whether any
25
26

1 compromises could be made concerning the scope or burden of the
2 requests.

3 The data requests at issue in AT&T's motion to compel are of
4 three types. Data Request Nos. 15 through 18 seek information
5 concerning exchange sales that took place during the last ten
6 years in Arizona. The exchange sales that took place during this
7 period occurred in 1994. All of the investment relating to the
8 exchanges involved was removed from rate base at the time of the
9 sale. U S WEST has not included the investment relating to the
10 sold exchanges in rate base in this proceeding.

11
12 Data Request Nos. 19 through 22 seek discovery concerning an
13 exchange sale to Citizens Utilities that has not yet happened,
14 that is subject to various conditions, and that will occur, if at
15 all, well outside of the test year in this proceeding. U S WEST
16 will file an application for approval of the exchange sale at the
17 appropriate time and AT&T can seek discovery relating to the sale
18 in that proceeding. U S WEST is presently working through the
19 details of the transaction and final accounting information is
20 not available.

21
22 Finally, Data Request No. 38 asks for details
23 concerning every U S WEST construction project that has resulted
24 in an increase in Telephone Plant in Service in Arizona during
25 the years 1996, 1997 and 1998. Data Request No. 38 calls for
26

1 information relating to literally thousands of projects. U S
2 WEST has objected to this request on the ground that it is unduly
3 burdensome.

4
5
6 ARGUMENT

7
8 None of the data requests that are the subject of
9 AT&T's motion to compel are proper requests in this proceeding.
10 Indeed, it is apparent that Data Request Nos. 15-18 and 19-22 are
11 really just attempts to obtain discovery to be used in other
12 proceedings. None of the requests are reasonably calculated to
13 lead to discovery of relevant information. Many of the requests
14 are enormously burdensome. Thus, for the reasons that follow,
15 AT&T's motion to compel should be denied.

16
17
18 AT&T Data Request Nos. 15-18

19
20 Data Request Nos. 15 - 18 concern prior exchange sales
21 that have taken place during the last ten years. Sales of
22 exchanges did occur in Arizona in 1994 and the Commission's
23 treatment of the sales is set forth in Decision No. 58763 in
24 Docket No. E-1051-93-189. (A copy of Decision No. 58763 is
25 attached as Exhibit A). Although the application for approval of
26

1 the sale was filed contemporaneously with the filing of the 1993
2 rate case, no adjustments were made to reflect the sale because
3 the sale was outside of the test year and its impact was not
4 known and measurable at the time of the hearing in the 1993 rate
5 case. In its rate case decision, the Commission stated the
6 following with respect to the sale:
7

8 During the months of July and August 1993, the
9 Company filed applications with the Commission
10 requesting approval of the sale of certain rural
11 exchanges. In anticipation of early Commission
12 approval, the Company proposed adjustments to TY
13 revenues, expenses and rate base associated with the
14 sale of the rural exchanges. The sale as proposed by
15 the Company was opposed by Staff and others. As a
16 result, the matter was still pending at the conclusion
17 of the hearing in this docket.
18

19 Based on the above, the Company subsequently
20 removed its proposed adjustments to TY revenues,
21 expenses and rate base. According to the Company, the
22 adjustments were no longer known and measurable and
23 even if a sale were now to be consummated, the Company
24 indicated it would be too far removed from the TY for
25 consideration. Staff also initially made adjustments
26 based on the proposed sale, however, for generally the
same reasons put forth by the Company, Staff removed
its adjustments.

20 We generally concur with Staff and the Company,
21 primarily because the sales transaction is so far
22 outside of the TY it should not be reflected in this
23 rate case.

24 (Decision No. 58927, pp. 23-24).

25 The sale of exchanges that took place in 1994 have no
26 bearing at all on this proceeding. The assets sold as part of

1 the sale have been removed from rate base and are not included in
2 this rate case. Since U S WEST does not own the exchanges, it
3 receives no revenues and incurs no expenses relating to the sold
4 exchanges. Accordingly, revenues and expenses relating to the
5 sold exchanges are not included in calculating U S WEST's revenue
6 requirement.
7

8 Nor is treatment of the gain from the sale of the
9 exchanges properly at issue in this proceeding. The regulatory
10 treatment of the gain was addressed in Docket No. E-1051-93-189,
11 and the Commission rendered a final order on September 1, 1994.
12 See Decision No. 58763. AT&T may not collaterally attack that
13 decision in this proceeding.
14

15 AT&T argues that based on its knowledge and a review of
16 Commission's orders, U S WEST apparently has not reduced its
17 rates to reflect the sale of the exchanges in 1993. In making
18 this argument, AT&T is purposely confusing the 1993 rate case and
19 the pending rate case. That the exchange sales did not result in
20 rate case adjustments in the last rate case says nothing about
21 the rate case that is now pending. When the exchanges were sold,
22 journal entries were recorded which adjusted U S WEST's
23 regulatory accounting records to reflect the sale. (Attached as
24 Exhibit 2 is a summary of the accounting entries recorded).
25
26

1 Thus, the rate base and revenue requirement calculated for this
2 case do not include the sold exchanges.

3 AT&T also argues erroneously that Data Request Nos. 15
4 through 18 are relevant for purposes of determining whether an
5 adjustment should be made in this rate case to give ratepayers
6 the benefit of a gain on the sale of exchanges that took place in
7 1994. AT&T's position is refuted by the Commission's decision
8 approving the settlement agreement entered into by Staff and U S
9 WEST. In its decision, the Commission noted that the settlement
10 provided that the gain realized by U S WEST from the sales
11 transactions would be recorded below the line for regulatory
12 purposes and then found that the agreement was just and
13 reasonable. (Decision No. 58763, pp. 10 and 18).
14

15 The treatment of the exchange sales in prior proceeding
16 are a matter of public record and AT&T demonstrates in its motion
17 to compel that it was able to obtain the relevant Commission
18 decisions. The additional information AT&T has requested is
19 simply not relevant to this proceeding. Data Request No. 15 is
20 not relevant because it asks for details about exchange sales
21 that are well outside of the test year. Data Request No. 16 is
22 answered by Decision No. 58763. Data Request No. 17 asks for a
23 contention about the regulatory treatment of the gain that has
24 already been decided. U S WEST should not be required to state a
25
26

1 contention with respect to a transaction that is not properly at
2 issue in this proceeding. Data Request No. 18 asks for
3 information concerning compliance with a settlement agreement
4 approved in a separate proceeding. AT&T was not party to that
5 settlement agreement and is not entitled to challenge U S WEST's
6 compliance with the settlement agreement in this proceeding.
7

8
9 AT&T Data Request Nos. 19 - 22

10
11 Data Request Nos. 19 through 22 concern what AT&T
12 misleadingly describes as "the recent sale of exchanges to
13 Citizens Utilities." In truth, U S WEST and Citizens have only
14 entered into an agreement for the sale of the exchanges and that
15 agreement is subject to conditions including regulatory approval
16 of the sale. U S WEST and Citizens have not yet filed
17 applications seeking approval of the sale. Even if applications
18 were filed today, it would be some time before regulatory review
19 of the proposed transaction is completed. It is unlikely that
20 approval will come before the November 4, 1999 hearing presently
21 scheduled in this matter.
22

23 The discovery that AT&T seeks in Data Request Nos. 19
24 through 22 should be requested in the proceeding in which U S
25 WEST and Citizens seek approval of the proposed sale. That is
26

1 what was done in the last rate case and the conclusions reached
2 by the Commission then apply with more force now. In the last
3 rate case, the filing of the rate case and the request for
4 approval of the exchange sales were contemporaneous. In
5 contrast, while the pending rate case is well underway, U S WEST
6 has not even filed an application seeking approval of the sale of
7 exchanges to Citizens.
8

9 Furthermore, Data Request Nos. 19 through 22 clearly
10 call for post-test year information. The test year in this case
11 has a June 30, 1998 year end. If approved and closed, the sale
12 of exchanges to Citizens will take place more than a year after
13 the test year and probably even later than that. The final shape
14 of the sale cannot presently be determined. Thus, just as in the
15 case of the 1994 exchange sale, the financial impact of the sale
16 to Citizens is not presently known or measurable.
17

18 In its motion, AT&T disingenuously implies that U S
19 WEST has unjustly recovered revenue as a result of the 1994
20 exchange sale. U S WEST made significant investments in Arizona
21 under the settlement approved by the Commission in the last rate
22 case and the Commission determined that the settlement was just
23 and reasonable. The investment that U S WEST made was not
24 included in rate base in the last rate case and the Commission
25
26

1 did not increase U S WEST's rates to reflect the additional
2 investment U S WEST would make under the settlement.

3 Data Request Nos. 19 through 22 are all unreasonable.
4 Data Request No. 19 will be substantially addressed when the
5 application is filed for approval of the sale. Data Request Nos.
6 20 and 22 presuppose that the Commission will decide to adjust
7 rate base and revenue requirement to reflect a post-test year
8 event that is not presently known or measurable. That is not
9 what the Commission did in connection with the last exchange sale
10 and until the Commission decides how the sale to Citizens will be
11 handled, Data Request Nos. 20 and 22 are inappropriate. Data
12 Request No. 21 is objectionable because U S WEST has no
13 obligation to change its cost studies to reflect particular
14 transactions. AT&T is free to challenge the assumptions of the
15 cost studies, to conduct its own cost studies or to make the
16 adjustments itself.
17
18
19

20 AT&T Data Request No. 38

21 In Data Request No. 38, AT&T asks for a description of
22 every project that resulted in an increase in Telephone Plant in
23 Service during the years 1996, 1997 and 1998. AT&T's request is
24 not limited to projects of any particular size and as presently
25 worded would call for literally thousands of projects, most of
26

1 which would be extremely small. U S WEST objects to Data Request
2 No. 38 on the ground that it is unduly burdensome.

3 U S WEST has not objected to more reasonable requests
4 served by Staff's experts seeking the same information. Staff
5 requested information similar to that called for in Data Request
6 No. 38 but only for the fifty largest construction projects. U S
7 WEST has already provided the information requested by Staff to
8 AT&T. AT&T has no legitimate need for additional information.

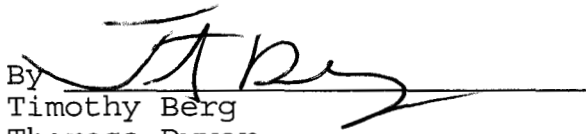
9 Respectfully submitted this 6th day of August, 1999.

11 U S WEST COMMUNICATIONS, INC.

13 U S WEST COMMUNICATIONS, INC.
14 Law Department
15 Thomas Dethlefs

16 and

17 FENNEMORE CRAIG

18 By 
19 Timothy Berg
20 Theresa Dwyer
21 3003 N. Central Avenue, Suite
22 2600
23 Phoenix, Arizona 85012-2913
24 Attorneys for U S West
25 Communications, Inc.
26

1

11. This agreement is contingent upon the execution and approval by the Commission of the corresponding agreement between Staff and U S WEST in these sales dockets.

ARIZONA CORPORATION COMMISSION STAFF

By: 

GARY YACOVINO
Director, Utilities Division

MIDVALE TELEPHONE EXCHANGE

By: _____

TABLETOP TELEPHONE COMPANY, INC.

By: 

Matthew J. Boos
Vice President

COPPER VALLEY TELEPHONE, INC.

By: _____

Decision No. 58763

FROM

Copper Valley - Total Plant Investment

Total	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$2,006,125	\$579,627	\$687,225	\$976,025	\$4,249,002
1st yr	\$1,132,000	\$358,500	\$384,600	\$60,000	\$1,933,100
2nd yr	\$246,000	\$33,751	\$109,500	\$520,400	\$909,651
3rd yr	\$239,525	\$79,125	\$80,425	\$150,525	\$549,700
4th yr	\$191,400	\$58,500	\$59,800	\$130,000	\$439,700
5th yr	\$197,200	\$51,751	\$52,900	\$115,000	\$416,851

Switching	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$996,125	\$344,625	\$372,225	\$341,025	\$2,054,000
1st yr	\$948,000	\$324,000	\$351,600	\$0	\$1,623,600
2nd yr	\$0	\$0	\$0	\$320,400	\$320,400
3rd yr	\$48,125	\$20,625	\$20,625	\$20,625	\$110,000
4th yr	\$0	\$0	\$0	\$0	\$0
5th yr	\$0	\$0	\$0	\$0	\$0

Interoffice	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$100,000	\$0	\$75,000	\$125,000	\$300,000
1st yr	\$0	\$0	\$0	\$0	\$0
2nd yr	\$100,000	\$0	\$75,000	\$125,000	\$300,000
3rd yr	\$0	\$0	\$0	\$0	\$0
4th yr	\$0	\$0	\$0	\$0	\$0
5th yr	\$0	\$0	\$0	\$0	\$0

Land & Bldg	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$60,000	\$10,000	\$10,000	\$10,000	\$90,000
1st yr	\$60,000	\$10,000	\$10,000	\$10,000	\$90,000
2nd yr	\$0	\$0	\$0	\$0	\$0
3rd yr	\$0	\$0	\$0	\$0	\$0
4th yr	\$0	\$0	\$0	\$0	\$0
5th yr	\$0	\$0	\$0	\$0	\$0

Copper Valley - Total Plant Investment (Con't)

Veh & Sup Eq	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$210,000	\$0	\$0	\$0	\$210,000
1st yr	\$60,000	\$0	\$0	\$0	\$60,000
2nd yr	\$50,000	\$0	\$0	\$0	\$50,000
3rd yr	\$25,000	\$0	\$0	\$0	\$25,000
4th yr	\$25,000	\$0	\$0	\$0	\$25,000
5th yr	\$50,000	\$0	\$0	\$0	\$50,000

Rehab Exch	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$480,000	\$168,751	\$172,500	\$375,000	\$1,196,251
1st yr	\$48,000	\$16,875	\$17,250	\$37,500	\$119,625
2nd yr	\$72,000	\$25,313	\$25,875	\$56,250	\$179,438
3rd yr	\$124,800	\$43,875	\$44,850	\$97,500	\$311,025
4th yr	\$124,800	\$43,875	\$44,850	\$97,500	\$311,025
5th yr	\$110,400	\$38,813	\$39,675	\$86,250	\$275,138

New Exch	Clifton	York V	Duncan	Elfrida	Total
5 year exp	\$160,000	\$56,251	\$57,500	\$125,000	\$398,751
1st yr	\$16,000	\$5,625	\$5,750	\$12,500	\$39,875
2nd yr	\$24,000	\$8,438	\$8,625	\$18,750	\$59,813
3rd yr	\$41,600	\$14,625	\$14,950	\$32,500	\$103,675
4th yr	\$41,600	\$14,625	\$14,950	\$32,500	\$103,675
5th yr	\$36,800	\$12,938	\$13,225	\$28,750	\$91,713

Decision No. 58763

Midvale Telephone Exchange - Total Plant Investment

Total	Young
5 year exp	<u>\$790,000</u>
1st year	\$90,000
2nd year	\$475,000
3rd year	\$125,000
4th year	\$50,000
5th year	\$50,000

Land & Bldg	Young
5 year exp	<u>\$50,000</u>
1st year	
2nd year	\$50,000
3rd year	
4th year	
5th year	

New Exch	Young
5 year exp	<u>\$125,000</u>
1st year	\$50,000
2nd year	\$0
3rd year	\$75,000
4th year	\$0
5th year	\$0

Switching	Young
5 year exp	<u>\$300,000</u>
1st year	\$0
2nd year	\$300,000
3rd year	\$0
4th year	\$0
5th year	\$0

Veh & Sup Eq	Young
5 year exp	<u>\$65,000</u>
1st year	\$40,000
2nd year	\$0
3rd year	\$0
4th year	\$0
5th year	\$25,000

Interoffice	Young
5 year exp	<u>\$100,000</u>
1st year	\$0
2nd year	\$100,000
3rd year	\$0
4th year	\$0
5th year	\$0

Rehab Exch	Young
5 year exp	<u>\$150,000</u>
1st year	\$0
2nd year	\$25,000
3rd year	\$50,000
4th year	\$50,000
5th year	\$25,000

Table Top Telephone - Total Plant Investment

Total	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$3,309,510	\$590,800	\$926,300	\$1,296,800	\$903,030	\$7,026,440
1st yr	\$250,000	\$0	\$0	\$0	\$281,600	\$531,600
2nd yr	\$2,699,510	\$305,800	\$641,300	\$1,011,800	\$336,430	\$4,994,840
3rd yr	\$120,000	\$95,000	\$95,000	\$95,000	\$95,000	\$500,000
4th yr	\$120,000	\$95,000	\$95,000	\$95,000	\$95,000	\$500,000
5th yr	\$120,000	\$95,000	\$95,000	\$95,000	\$95,000	\$500,000

Switching	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$943,750	\$397,600	\$733,100	\$545,000	\$386,600	\$3,006,050
1st yr	\$0	\$0	\$0	\$0	\$281,600	\$281,600
2nd yr	\$838,750	\$292,600	\$628,100	\$440,000	\$0	\$2,199,450
3rd yr	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$175,000
4th yr	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$175,000
5th yr	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$175,000

Interoffice	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000	\$75,000
1st yr	\$0	\$0	\$0	\$0	\$0	\$0
2nd yr	\$0	\$0	\$0	\$0	\$0	\$0
3rd yr	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000
4th yr	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000
5th yr	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$25,000

Land & Bldg	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$250,000	\$0	\$0	\$0	\$0	\$250,000
1st yr	\$0	\$0	\$0	\$0	\$0	\$0
2nd yr	\$250,000	\$0	\$0	\$0	\$0	\$250,000
3rd yr	\$0	\$0	\$0	\$0	\$0	\$0
4th yr	\$0	\$0	\$0	\$0	\$0	\$0
5th yr	\$0	\$0	\$0	\$0	\$0	\$0

Table Top Telephone - Total Plant Investment (Con't)

Veh & Sup Eq	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$325,000	\$0	\$0	\$0	\$0	\$325,000
1st yr	\$250,000	\$0	\$0	\$0	\$0	\$250,000
2nd yr	\$0	\$0	\$0	\$0	\$0	\$0
3rd yr	\$25,000	\$0	\$0	\$0	\$0	\$25,000
4th yr	\$25,000	\$0	\$0	\$0	\$0	\$25,000
5th yr	\$25,000	\$0	\$0	\$0	\$0	\$25,000

Rehab Exch	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$772,500	\$82,500	\$82,500	\$232,000	\$82,500	\$1,252,000
1st yr	\$0	\$0	\$0	\$0	\$0	\$0
2nd yr	\$690,000	\$0	\$0	\$149,500	\$0	\$839,500
3rd yr	\$27,500	\$27,500	\$27,500	\$27,500	\$27,500	\$137,500
4th yr	\$27,500	\$27,500	\$27,500	\$27,500	\$27,500	\$137,500
5th yr	\$27,500	\$27,500	\$27,500	\$27,500	\$27,500	\$137,500

New Exch	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$979,500	\$82,500	\$82,500	\$485,000	\$387,250	\$2,016,750
1st yr	\$0	\$0	\$0	\$0	\$0	\$0
2nd yr	\$897,000	\$0	\$0	\$402,500	\$304,750	\$1,604,250
3rd yr	\$27,500	\$27,500	\$27,500	\$27,500	\$27,500	\$137,500
4th yr	\$27,500	\$27,500	\$27,500	\$27,500	\$27,500	\$137,500
5th yr	\$27,500	\$27,500	\$27,500	\$27,500	\$27,500	\$137,500

Pay Phones	Ajo	Aguila	Bagdad	Sanders	Seligman	Total
5 year exp	\$23,760	\$13,200	\$13,200	\$19,800	\$31,680	\$101,640
1st yr	\$0	\$0	\$0	\$0	\$0	\$0
2nd yr	\$23,760	\$13,200	\$13,200	\$19,800	\$31,680	\$101,640
3rd yr	\$0	\$0	\$0	\$0	\$0	\$0
4th yr	\$0	\$0	\$0	\$0	\$0	\$0
5th yr	\$0	\$0	\$0	\$0	\$0	\$0

filename:exchs1

SYSTEM IMPROVEMENTS AND ADDITIONS PLANNED
BY THE PURCHASING COMPANIES

Ajo - In 1995 Table Top has included \$897,000 in plant construction to expand service in the Organ Pipe and Lukeville areas. Microwave radio and cable facilities that currently service these areas have exhausted. A new fiber optic facility would be constructed between Ajo and Lukeville. The new fiber system would be used to serve areas in between, such as Why and Organ Pipe.

In 1995 Table Top has included \$690,000 in plant construction to replace antiquated cable facilities in the Ajo Exchange. During wet weather conditions, moisture seeps into the old cable that Table Top plans to replace, the presence of moisture in the cable causes an interruption of the service provided (during a public comment session customers complained about noisy circuits when it rains). Spare capacity for new service will also be provided by the new cable that is installed.

Clifton - Copper Valley plans to install digital carrier on certain large cable routes in the Clifton Exchange. The installation of digital carrier will expand and improve service along these routes.

Elfrida - Copper Valley plans to construct a fiber system that will connect the Elfrida exchange to Valley Telephone's Pearce exchange. The new fiber facility will be used as an alternative toll facility route out of Elfrida and possibly for expanding local service to areas along the fiber cable route.

Sanders - In 1995 Table Top has included \$402,500 in plant construction to expand service in the Sanders Exchange. Facilities would be constructed to serve two new subdivisions of 120 homes, one subdivision is near Allentown and the other is east of US highway 191.

Seligman - In 1995 Table Top has included \$304,750 in plant construction to expand service in a remote part of the Seligman Exchange known as the Grand Canyon Caverns area. Today, U S WEST is providing limited service in the area using antiquated facilities that typically do not provide reliable good quality service.

Young - Midvale has included \$125,000 in plant construction to extend service to approximately 25 homes in the Haigler Creek area north of Young. Residents have not been able to obtain service from U S WEST.

Midvale plans to replace all aerial cable with buried cable within five years. Buried cable typically provides a more reliable service because it is protected below ground. Aerial cable on the

other hand, is exposed to adverse conditions such as bad weather which can effect the cable performance.

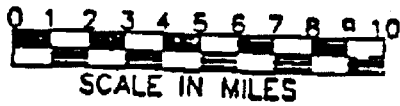
Copper Valley has allocated approximately \$400,000 in exchange plant construction during the first five years of operation to provide new service.

Table Top has allocated approximately \$2 million in exchange plant construction during the first five years of operation to provide new service.

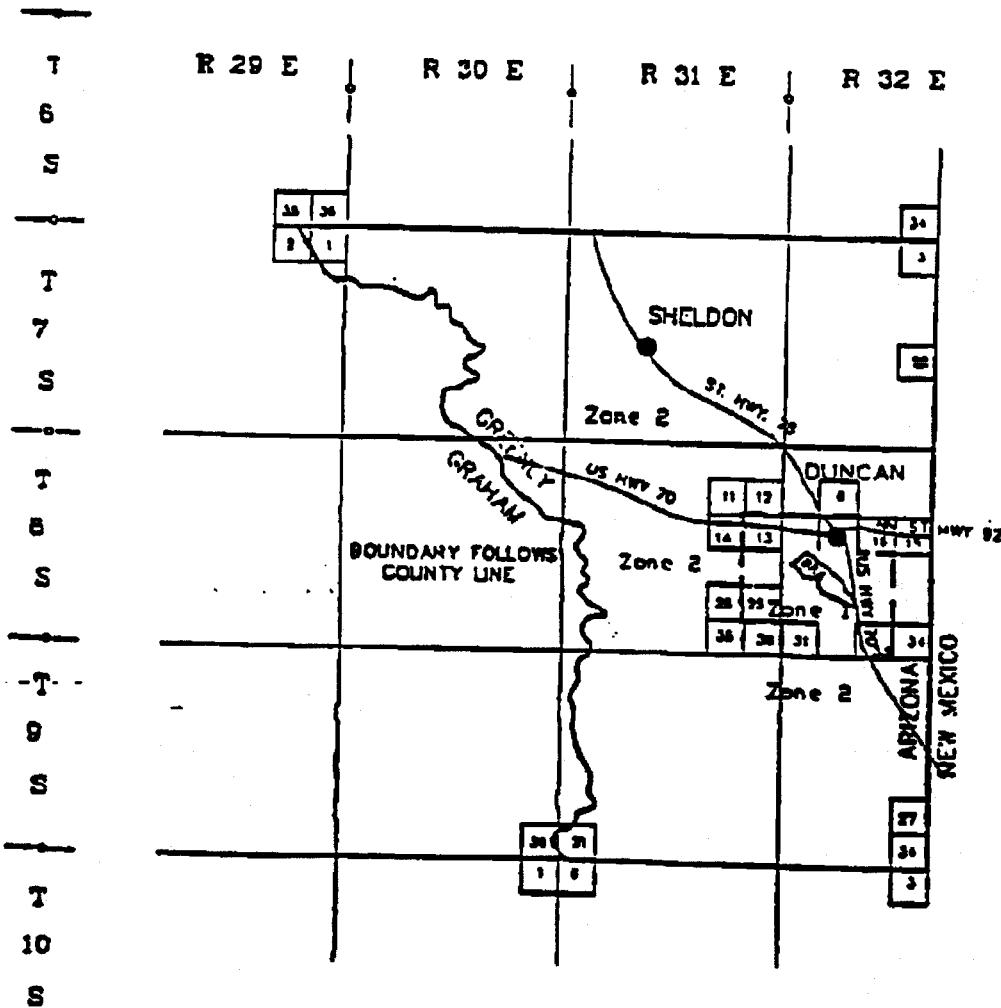
All three buyers have committed to identify and replace cable plant that is causing service outage problems. Copper Valley, Midvale and Table Top have allocated over \$2.5 million to rehabilitate exchange facilities during the first five years of operation.

COPPER VALLEY TELEPHONE, INC.
P.O. BOX 970 WILLCOX, AZ 85644 (602) 384-2231

Exchange: DUNCAN
Section NO.
Sheet NO.
Revision NO.
Supersedes



————— Boundary of Exchange
- - - - - Zone 1



Issued: 1-5-94

By:

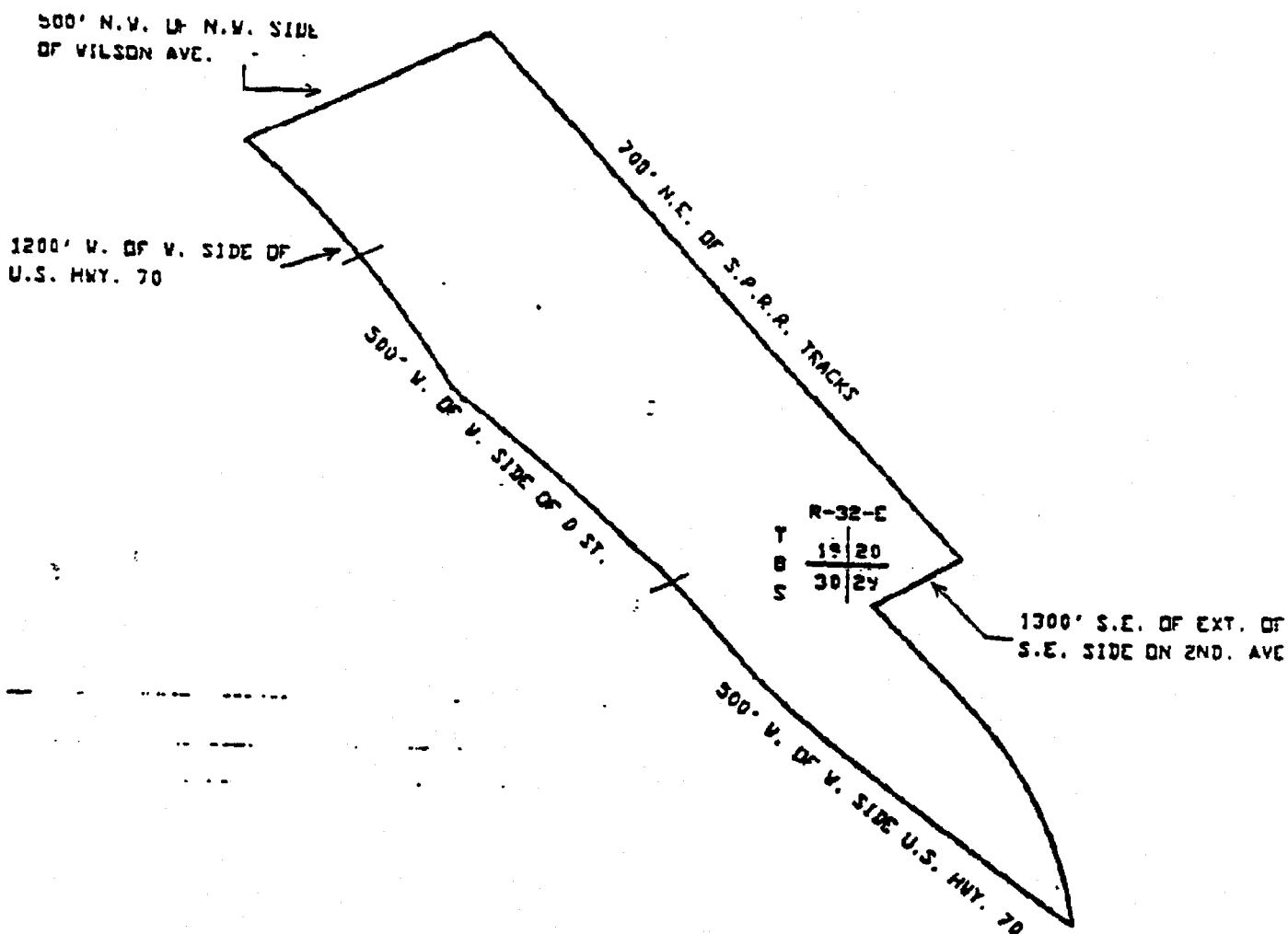
Effective:

COPPER VALLEY TELEPHONE, INC.
P.O. BOX 970 WILLCOX, AZ 85644 (602) 384-2231

Exchange: Duncan
Base Rate Area
Sheet NO.
Revision NO.
Supersedes



Boundary of Base Rate Area



Issued: 1-5-94

By:

Effective:

DUNCAN, ARIZONA
EXCHANGE AREA
(page 1)

BEGINNING at a point on the North line of Section 2, Township 7 South, Range 29 East of the Gila and Salt River Base and Meridian, Greenlee County, Arizona, said point being the county line of Graham County and Greenlee County, Arizona;

THENCE, East (assumed bearing) along the North Section line of Section 2 and 1, Township 7 South, Range 29 East to the Northwest corner of Section 6, Township 7 South, Range 30 East of the Gila and Salt River Base and Meridian;

THENCE, continuing East (assumed bearing) along the North Section line of Section 6, 5, 4, 3, 2 and 1, Township 7 South, Range 30 East to the Northwest corner of Section 6, Township 7 South, Range 31 East of the Gila and Salt River Base and Meridian;

THENCE, continuing East (assumed bearing) along the North Section line of Section 6, 5, 4, 3, 2 and 1, Township 7 South, Range 31 East to the Northwest corner of Section 6, Township 7 South, Range 32 East of the Gila and Salt River Base and Meridian;

THENCE, continuing East (assumed bearing) along the North Section line of Section 6, 5, 4 and 3, Township 7 South, Range 32 East to the Northeast corner of Section 3, Township 7 South, Range 32 East of the Gila and Salt River Base and Meridian, said point being the boundary of Arizona and New Mexico;

THENCE, South (assumed bearing) along the East Section line of Section 3, 10, 15 and 22, Township 7 South, Range 32 East to the East mid-section line of the Southeast Quarter of Section 22, Township 7 South, Range 32 East of the Gila and Salt River Base and Meridian;

THENCE, continuing South (assumed bearing) along the East line of said Section 22, Township 7 South, Range 32 East;

THENCE, South (assumed bearing) along the East line of Section 27, Township 9 South, Range 32 East of the Gila and Salt River Base and Meridian to the Southeast corner of said Section 34, Township 9 South, Range 32 East;

THENCE, West (assumed bearing) along the South line of Section 34, 33, 32 and 31, Township 9 South, Range 32 East of the Gila and Salt River Base and Meridian to the Southeast corner of Section 36, Township 9 South, Range 31 East of the Gila and Salt River Base and Meridian;

Decision No. 58763

DUNCAN, ARIZONA
EXCHANGE AREA
(Page 2)

THENCE, continuing West (assumed bearing) along the South line of Section 36, 35, 34, 33, 32 and 31, Township 9 South, Range 31 East of the Gila and Salt River Base and Meridian, to a point of the South line of said Section 31 which are the boundaries of Graham County and Greenlee County, Arizona;

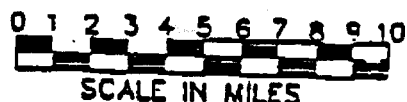
THENCE, in a Northerly direction following the county lines of Graham and Greenlee County, Arizona to a point where the North line of Township 7 South, Range 29 East of the Gila and Salt River Base and Meridian intersects with the county lines of Graham and Greenlee County and The Point of Beginning.

Decision No. 58763

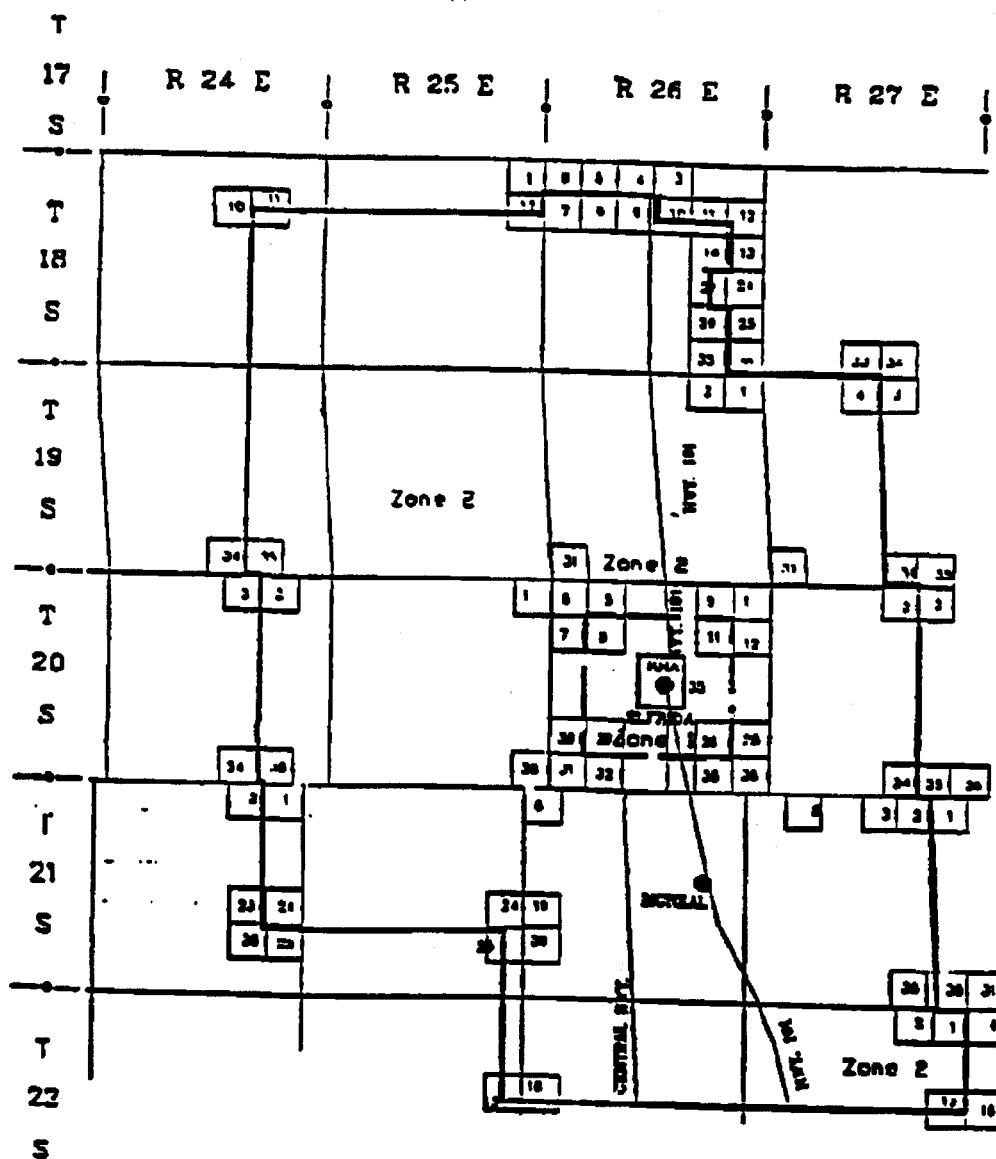
FROM

COPPER VALLEY TELEPHONE, INC.
P.O. BOX 970 WILLCOX, AZ 85644 (602) 384-2231

Exchange: Elfrida
Section NO.
Sheet NO.
Revision NO.
Supersedes



----- Boundary of Exchange
----- Zone 1



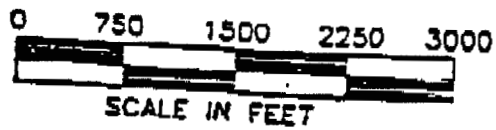
Issued: 1-5-94

By:

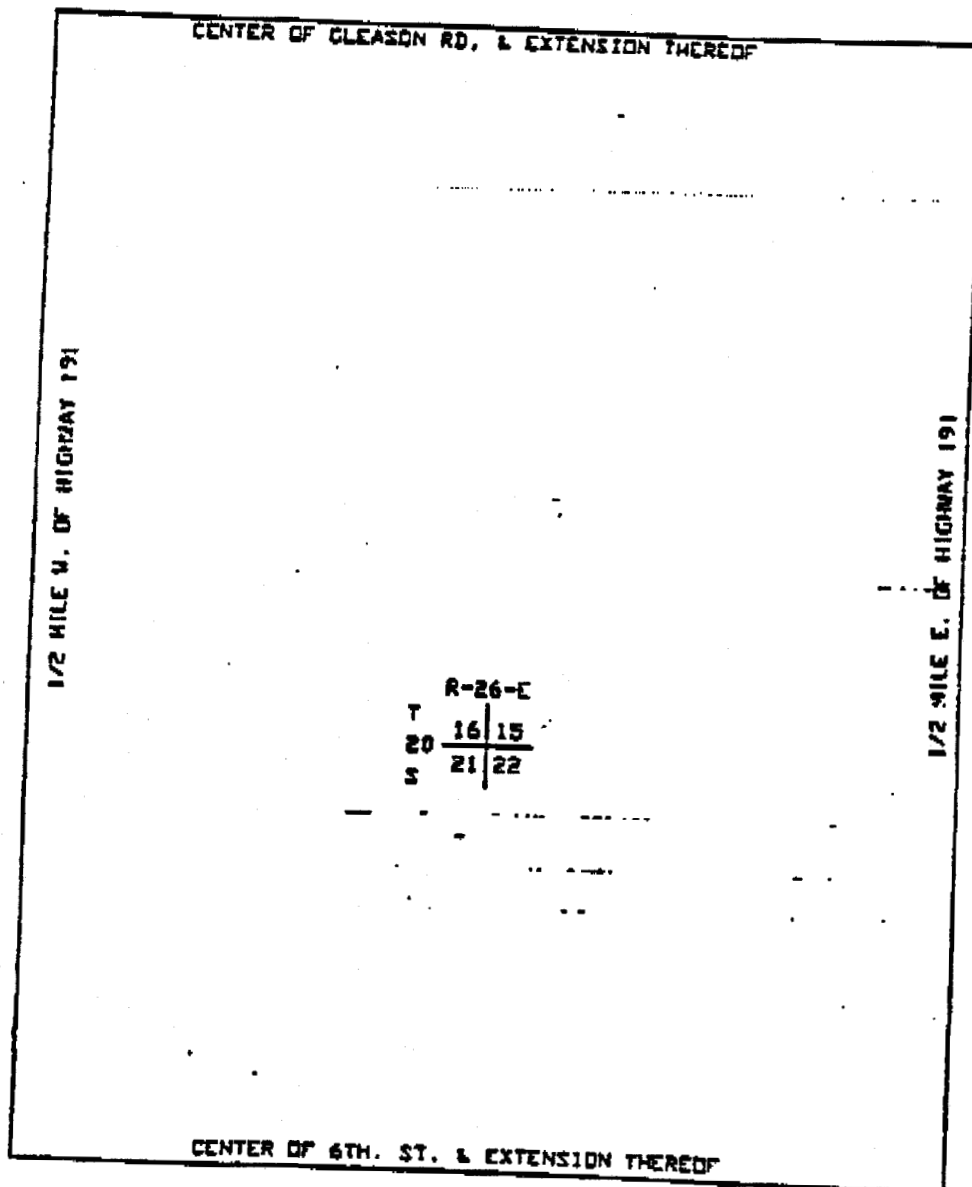
Effective:

COPPER VALLEY TELEPHONE, INC.
P.O. BOX 970 WILLCOX, AZ 85644 (602) 384-2231

Exchange: Elfrida
Base Rate Area
Sheet NO.
Revision NO.
Supersedes



Boundary of Base Rate Area



Issued: 1-5-94

By:

Effective:

(PRI) 8. 6' 99 16:22/ST. 16:21/NO. 4860808519 P 2

FROM

ELFRIDA, ARIZONA
EXCHANGE AREA
(page 1)

BEGINNING at the Southwest Corner of Section 6, Township 18 South,
Range 26 East of the Gila and Salt River Base and Meridian, Cochise
County, Arizona;

THENCE East along the South line of said Section 6 to the Southwest Corner of Section 3, said point also being the Northwest Corner of Section 10, Township 18 South, Range 26 East;

THENCE South along the West line of said Section 10 to the West Quarter corner;

THENCE East along the East West Mid-Section line to West Quarter Corner of Section 12;

THENCE South along the West line of Sections 12 and 13 to the Southwest Corner of Section 13, Township 18 South, Range 26 East, said point also being the Southeast corner of Section 14;

THENCE West along the South Line of Section 14, Township 18 South, Range 26 East to the South Quarter Corner, said point also being the North Quarter Corner of Section 23;

THENCE South along the North-South Mid-Section line to the South Quarter Corner of Section 23, Township 18 South, Range 26 East;

THENCE East along the South line of Section 23, Township 18 South, Range 26 East to the South East Corner, said point also being the Northwest Corner of Section 25;

THENCE South along the West line of said Section 25 and 36 to the Southwest Corner of said Section 36, Township 18 South, Range 26 East;

THENCE East along the South line of Section 36, Township 18 South, Range 26 East to the Southeast Corner of Section 36, Township 18 South, Range 26 East;

THENCE East along the South line of Section 31, 32 and 33 to the Southeast Corner of said Section 33, Township 18 South, Range 27 East, said point also being the Northeast Corner of Section 4, Township 19 South, Range 27 East;

THENCE South along the East line of Sections 4, 9, 16, 21, 28 and 33 to the Southeast Corner of said Section 33, said point, also being the Southwest Corner of Section 34, Township 19 South, Range 27 East;

THENCE East along the South line of Section 34 to the Southeast corner, said point also being the Northeast Corner of Section 3, Township 20 South, Range 27 East;

ELFRIDA, ARIZONA
EXCHANGE AREA
(Page 2)

THENCE South along the East line of Sections 3, 10, 15, 22, 27 and 34 to the Southeast Corner of Section 34, Township 20 South, Range 27 East;

THENCE East along the South line of said Section 35, Township 20 South, Range 27 East to the Northeast corner of Section 2, Township 21 South, Range 27 East;

THENCE South along the East line of Section 2, 11, 14, 23, 26 and 35 to the Southeast Corner of said Section 35, said point also being the Southwest Corner of Section 36;

THENCE East along the South line of Section 36, Township 21 South, Range 27 East to the Southeast Corner, said point also being the Northeast Corner of Section 1, Township 22 South, Range 27 East;

THENCE South along the East line of Sections 1, 12 and 13 to the East Quarter Corner of said Section 13;

THENCE West along the East West Mid-section line of Section 13, 14, 15, 16, 17 and 18, Township 22 South, Range 27 East to the West Quarter Corner of Section 18, said point also being the East Quarter Corner of Section 13, Township 22 South, Range 26 East;

THENCE continuing West along the East West Mid-section line of Sections 13, 14, 15, 16, 17 and 18 to the West Quarter Corner of Section 18, Township 22 South, Range 25 East, said point also being the East Quarter Corner of Section 13, Township 22 South, Range 25 East;

THENCE continuing West along the East West Mid-Section line of Section 13 to the Center of said Section 13, Township 22 South, Range 25 East;

THENCE North along the North South Mid-section line of Sections 13, 12 and 1, Township 22 South, Range 25 East to the North Quarter Corner of Section 1, Township 22 South, Range 25 East, said point also being the South Quarter corner of Section 36, Township 21 South, Range 25 East;

THENCE continuing North along the Mid-Section line of Sections 36 and 25, Township 21 South, Range 25 East to the North Quarter Corner of Section 25, said point also being the South Quarter Corner of Section 24;

THENCE West along the South line of Sections 24, 23, 22, 21, 20 and 19 to the Southwest corner of said Section 19, Township 21 South, Range 25 East, said point also being the Southeast Corner of Section 24, Township 21 South, Range 24 East;

Decision No. 58763

4 P 1908080469/NO.21/ST.16:16:22/99 8. (P11) 8. 6

FROM

ELFRIDA, ARIZONA
EXCHANGE AREA
(Page 3)

THENCE continuing West along the South line of said Section 24 to the Southwest corner;

THENCE North along the West line of Sections 24, 13, 12 and 1, Township 21 South, Range 24 East to the Northwest Corner of said Section 1, said point also being a point of the South Line of Section 35, Township 20 South, Range 24 East;

THENCE West along the South line of said Section 35 to the Southwest Corner;

THENCE North along the West line of Sections 35, 26, 23, 14, 11 and 2, Township 20 South, Range 24 East to the Northwest Corner of Section 2, said point also being on the South Line of Section 35, Township 19 South, Range 24 East;

THENCE West along the South line of said Section 35 to the Southwest corner of said section;

THENCE North along the West line of Sections 35, 26, 23, 14, 11 and 2 to the Northwest Corner of Section 2, Township 19 South, Range 24 East, said point also being the Southwest Corner of Section 35, Township 18 South, Range 24 East;

THENCE North along the West line of Sections 35, 26, 23, 14 and 11 to the West Quarter Corner of Section 11, Township 18 South, Range 24 East;

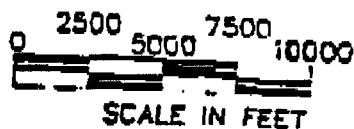
THENCE East along the East West Mid-section line of Sections 11 and 12 to the East Quarter Corner of Section 12, Township 18 South, Range 24 East, said point also being the West Quarter Corner of Section 7 Township 18 South Range 25 East;

THENCE East along the East West Mid-section line of Sections 7, 8, 9, 10, 11 and 12 to the East Quarter Corner of Section 12, Township 18 South, Range 25 East;

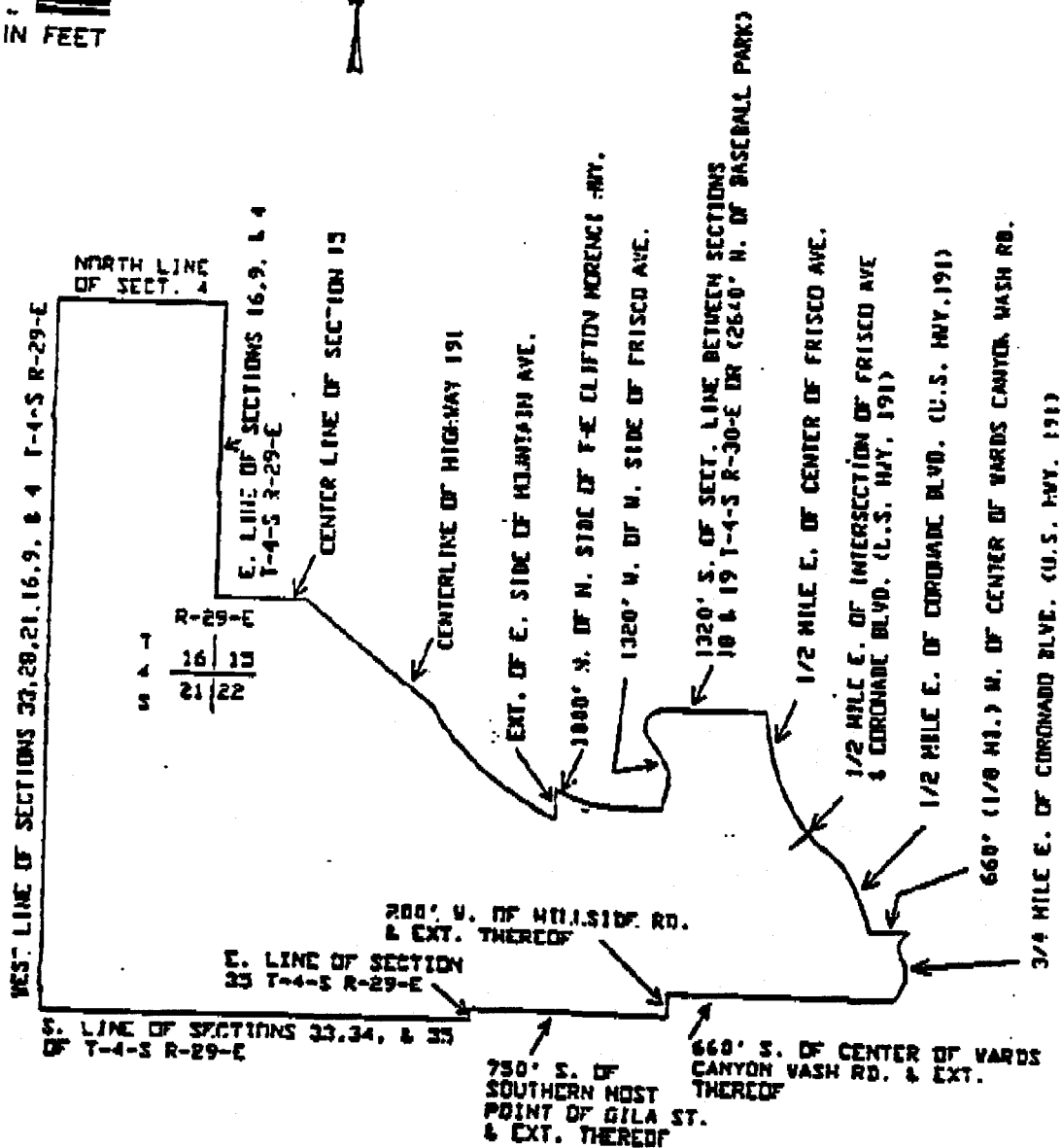
THENCE North along the East line of Section 12 to the Northeast Corner, said point also being the Southeast Corner of Section 6, Township 18 South, Range 26 East and the Point of Beginning.

COPPER VALLEY TELEPHONE, INC.
P.O. BOX 970 WILLCOX, AZ 85644 (602) 384-2231

Exchange: Clifton
Base Rate Area
Sheet NO.
Revision NO.
SuperLudes



Boundary of Base Rate Area



Issued: 1-5-94

By:

Effective:

(FRI) 8. 6'99 16:23/ST. 16:21/NO. 4660808519 P 6

FROM

CLIFTON, ARIZONA
EXCHANGE AREA
(page 1)

BEGINNING at a point where the County Line between Greenlee County, and Graham County, Arizona, intersect the East Section Line of Section 25, Township 5 South, Range 28 East;

THENCE North (assumed bearing) along the East Section Line of Section 25 to the Northeast corner of said Section, Township 5 South, Range 28 East;

THENCE East (assumed bearing) along the South Section Line of Sections 19, 20, 21, 22, 23, and 24, to the Southeast corner of Section 24, Township 5 South, Range 29 East;

THENCE North (assumed bearing) along the East Section Line of Sections 24 and 13, to the Northeast corner of Section 13, Township 5 South, Range 29 East;

THENCE East (assumed bearing) along the South Section Line of Sections 7 and 8 to the Southwest corner of the Southwest Quarter of the Southeast Quarter (SW 1/4 SE 1/4) of Section 8, Township 5 South, Range 30 East;

THENCE North (assumed bearing) along the West line of the West half of the East half (W 1/2 E 1/2) of Sections 8 and 5, to a point on the Northwest Quarter of the Northeast Quarter (NW 1/4 NE 1/4) of Section 5, Township 5 South Range 30 East;

THENCE East (assumed bearing) along the South Section Line of Sections 32, 33, 34, 35, and 36, to the Southeast corner of Section 36, Township 4 South, Range 30 East;

CONTINUING East (assumed bearing) along the South Section Line of Sections 31, 32, and 33, to the Southeast corner of Section 33, Township 4 South, Range 31 East;

THENCE North (assumed bearing) along the East Section Line of Sections 33 and 28 to the Northeast corner of Section 28, Township 4 South, Range 31 East;

THENCE East (assumed bearing) along the South Section Line of Sections 22, 23, and 24, to the Southeast corner of Section 24, Township 4 South, Range 31 East;

CONTINUING East (assumed bearing) along the same line (across property located in the Apache National Forest) to the Arizona, New Mexico border, Township 4 South, Range 32 East;

THENCE North (assumed bearing) along the Arizona, New Mexico state line, to the North Township Line of Township 3 South, Range 32 East, also located within the Apache National Forest;

CLIFTON, ARIZONA
EXCHANGE AREA
(Page 2)

THENCE West (assumed bearing) along the South line of the Township Line for Township 2 South, to the Northwest corner of Section 6, Township 3 South, Range 29 East;

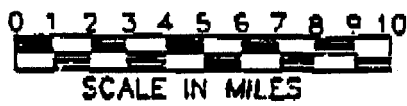
CONTINUING West (assumed bearing) along the same Line to a point located on the Graham County and Greenlee County line, located in Township 3 South, Range 28 East;

THENCE South (assumed bearing) along the Graham County and Greenlee County line to a point intersecting with the South Section Line of Section 17, Township 4 South, Range 28 East;

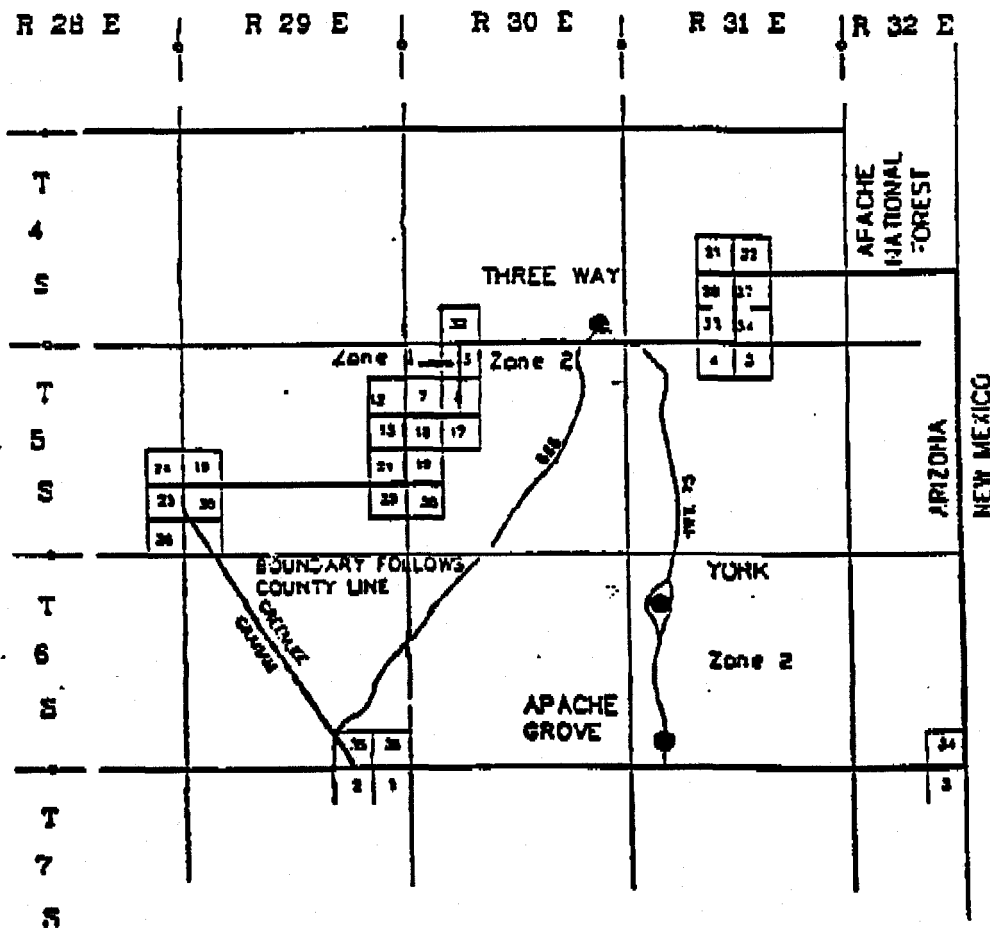
THENCE Southeasterly along the Graham County and Greenlee County line to a point intersecting with the East Section line of Section 25, Township 5 South, Range 28 East, said point being the Point of BEGINNING.

COPPER VALLEY TELEPHONE, INC.
P.O. BOX 970 WILLCOX, AZ 85644 (602) 384-2231

Exchange: York
Section NO.
Sheet NO.
Revision NO.
Supersedes



————— Boundary of Exchange
- - - - - Zone 1



Issued: 1-5-94

By:

Effective:

(FRI) 8. 6'99 16:23/ST.16:21/NO.4660808519 P 9

FROM

YORK VALLEY, ARIZONA
EXCHANGE AREA
(page 1)

BEGINNING at the Southeast corner of Section 34, Township 6 South, Range 32 East of the Gila and Salt River Base and Meridian;

THENCE West (assumed bearing) along the South Section Line of Sections 34, 33, 32 and 31 to the Southwest corner of Section 31, Township 6 South, Range 32 East;

CONTINUING West (assumed bearing) along the South Section Line of Sections 36, 35, 34, 33, 32 and 31, to the Southwest corner of Section 31, Township 6 South, Range 31 East;

CONTINUING West (assumed bearing) along the South Section Line of Sections 36, 35, 34, 33, 32 and 31, to the Southwest corner of Section 31, Township 6 South, Range 30 East;

CONTINUING West (assumed bearing) along the South Section Line of Sections 36 and 35, Township 6 South, Range 29 East, to a point on the County Line between Greenlee County and Graham County, Arizona;

THENCE in a Northwesterly direction along the Greenlee County, Graham County Line to a point intersected by the Westerly Section Line of Section 30, Township 5 South, Range 29 East;

THENCE North (assumed bearing) along the West Section Line of Section 30 to the Northwest corner of said Section;

THENCE East (assumed bearing) along the North Section Line of Sections 30, 29, 28, 27, 26 and 25, to the Northeast corner of Section 25, Township 5 South, Range 29 East;

THENCE North (assumed bearing) along the West Section Line of Sections 19 and 18 to the Northwest corner of Section 18, Township 5 South, Range 30 East;

THENCE East (assumed bearing) along the North Section Line of Sections 18 and 17, to the Northwest corner of the Northeast Quarter (NE 1/4) of Section 17, Township 5 South, Range 30 East;

THENCE North (assumed bearing) along the West line of the West half of the East half (W 1/2 E 1/2) of Sections 8 and 5, to a point on the Northwest corner of the Northeast Quarter (NE 1/4) of Section 5, Township 5 South, Range 30 East;

THENCE East (assumed bearing) along the North Section Line of Sections 5, 4, 3, 2 and 1, to the Northeast corner of section 1, Township 5 South, Range 30 East;

YORK VALLEY, ARIZONA
EXCHANGE AREA
(Page 2)

CONTINUING East (assumed bearing) along the North Section Line of Sections 6, 5 and 4, to the Northeast corner of Section 4, Township 5 South, Range 31 East;

THENCE North (assumed bearing) along the West Section Line of Sections 34 and 27, to the Northwest corner of Section 27, Township 4 South, Range 31 East;

THENCE East (assumed bearing) along the North Section Line of Sections 27, 26 and 25, to the Northeast corner of Section 25, Township 4 South, Range 31 East;

CONTINUING East (assumed bearing) along the same line (across property located in the Apache National Forest) to the Arizona, New Mexico border, Township 4 South, Range 32 East;

THENCE South (assumed bearing) along the Arizona, New Mexico border line to the point of BEGINNING, being the Southeast corner of Section 34, Township 6 South, Range 32 East.

MIDVALE TELEPHONE EXCHANGE, INC.
PROPOSED YOUNG, ARIZONA EXCHANGE BOUNDARY

LEGAL DESCRIPTION

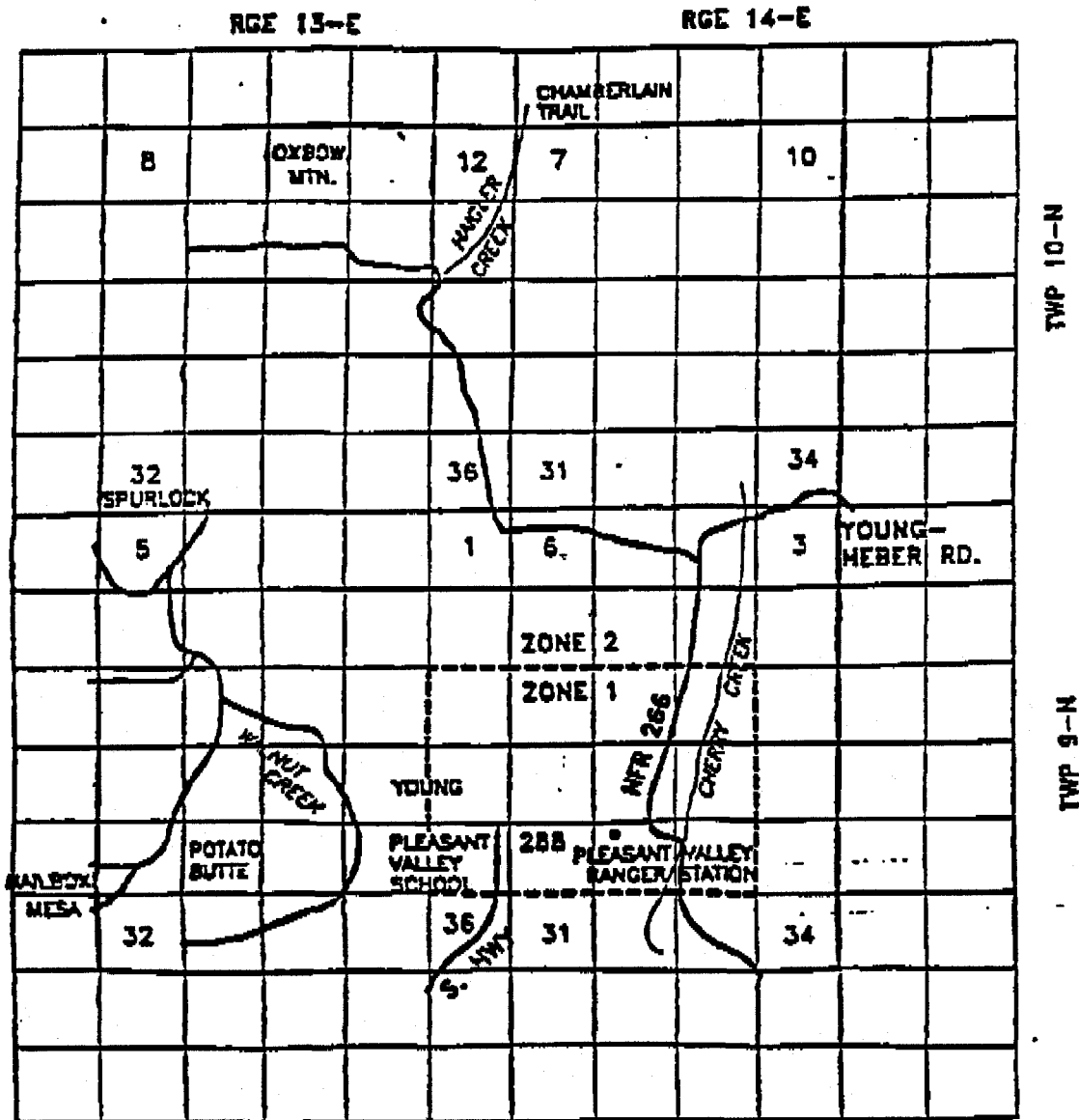
THE POINT OF BEGINNING IS THE S.E. CORNER OF SECTION OF 34, T 9 N, R 14 E, NORTH OF THE "SECOND STANDARD PARALLEL NORTH" IN GILA COUNTY, ARIZONA: THENCE NORTH ELEVEN MILES TO THE N.E. CORNER OF SECTION 10, T 10 N, R 14 E; THENCE WEST 9 MILES TO THE N.W. CORNER OF SECTION 9, T 10 N, R 13 E; THENCE SOUTH ELEVEN MILES TO THE S.W. CORNER OF SECTION 32, T 9 N, R 13 E; THENCE EAST TEN MILES TO THE POINT OF BEGINNING.

YOUNG, ARIZONA EXCHANGE AREA

MIDVALE TELEPHONE EXC., INC.
P.O. BOX 7
MIDVALE, IDAHO 83645

SECTION NO. _____
SHEET NO. _____
REVISION NO. _____
SUPERCEDE _____

————— EXCHANGE BOUNDARY
----- ZONE BOUNDARY



TABLETOP TELEPHONE COMPANY, INC.

ASmith

Schedule 2
Page 19 of 39

Beginning: At the southwest corner, Section 32, T-5-N, R-10-W, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona;

Thence: North to the northwest corner, Section 5, T-8-N, R-10-W;

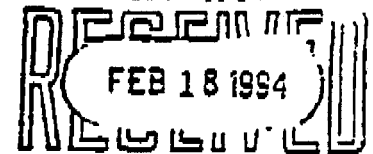
Thence: East to the northwest corner, Section 2, T-8-N, R-7-W;

Thence: South to the southeast corner, Section 34, T-5-N, R-7-W;

Thence: West to the point of beginning being the southwest corner, Section 32, T-5-N, R-10-W, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona.

Reflects EAB shown on the Aguila EAB Map

ARIZONA CORPORATION
COMMISSION



Director of Utilities

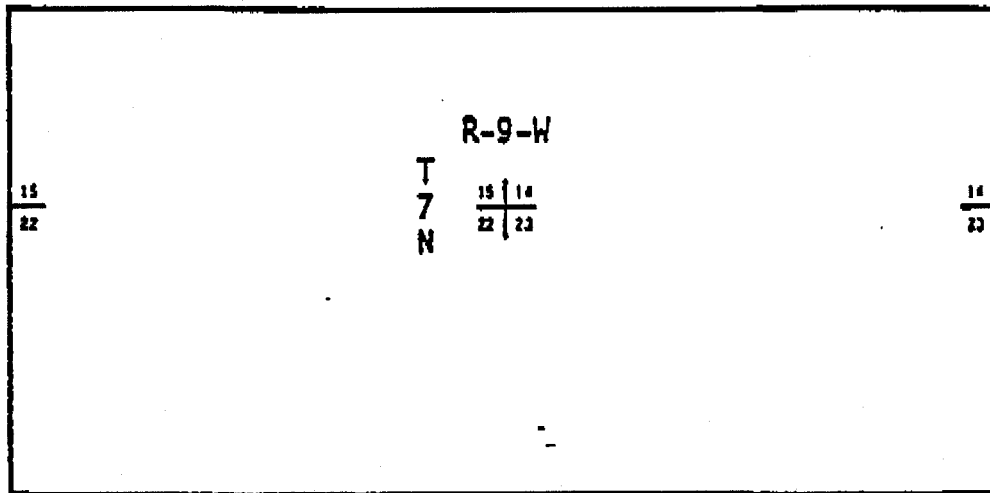
EXCHANGE AREA LEGAL DESCRIPTION
AGUILA, ARIZONA

ISSUE DATE: FEBRUARY 1994

SECTION NO. _____
SHEET NO. _____
REVISION NO. ORIGINAL
SUPERCEDES _____

1544' (.3 mi.) north of the center of Hammer Street & Extension thereof.

4120' West of the center
of 3rd Avenue & extension
thereof (West line of
sections 15 and 22.
T-3-B; R-9-W)



2500' (.5 mi.) east of
the center of 3rd St. &
extension thereof (East
line of sections 14 & 23
T-3-B; R-9-W)

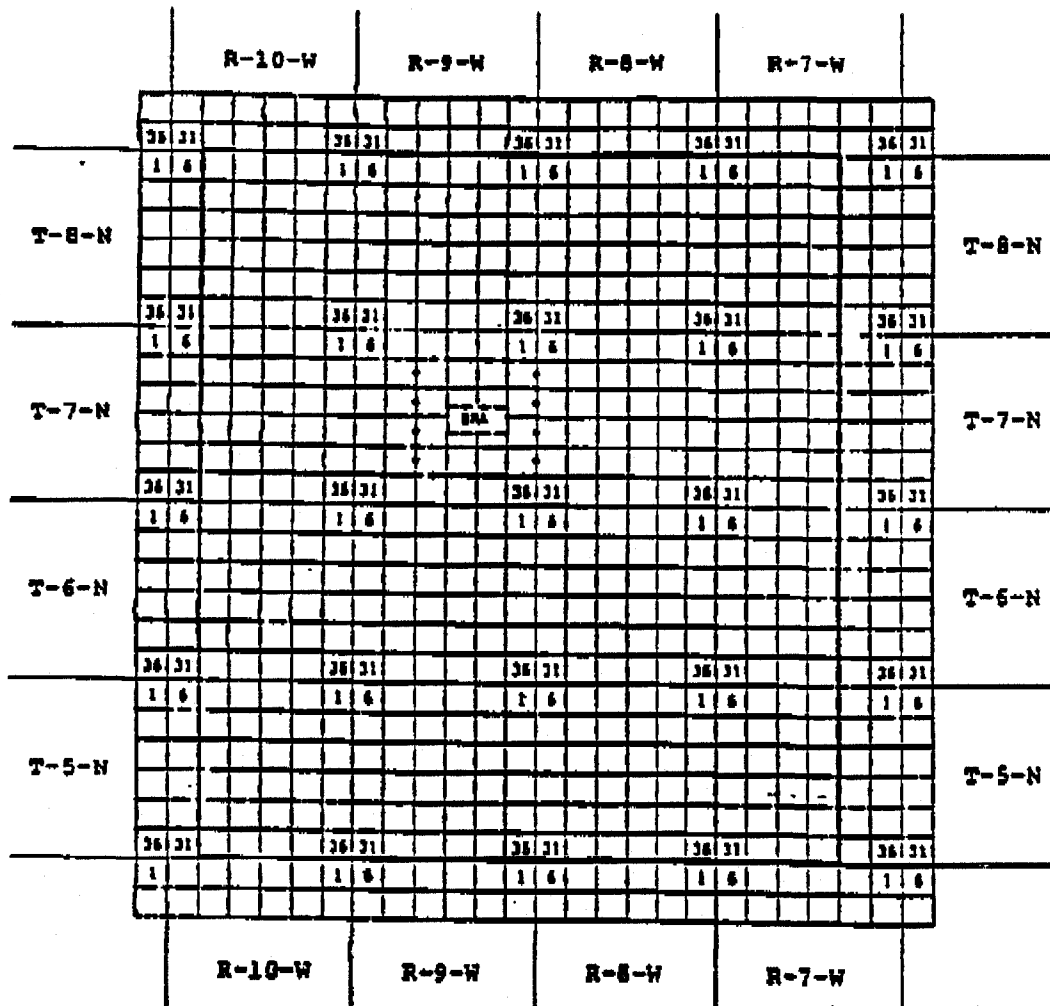
2640' (.5 mi.) south of the center of Ray Street & Extension thereof.

BASE RATE AREA MAP
AGUILA, ARIZONA
SCALE: 1" = 2000'
ISSUE DATE: FEBRUARY 1994

SECTION NO. _____
SHEET NO. _____
REVISION NO. ORIGINAL
SUPERCEDES _____

TABLETOP TELEPHONE COMPANY, INC.

Schedule 2
Page 21 of 39



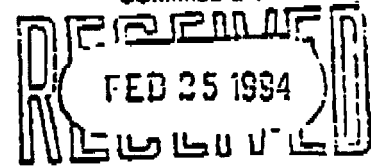
LEGEND
 BOUNDARY - TOTAL EXCHANGE
 BOUNDARY - BASE RATE AREA
 BOUNDARY - ZONE 1

EXCHANGE AREA ZONE MAP
 AGUILA, ARIZONA
 SCALE: 1" = 6 MILES
 ISSUE DATE: FEBRUARY 1994

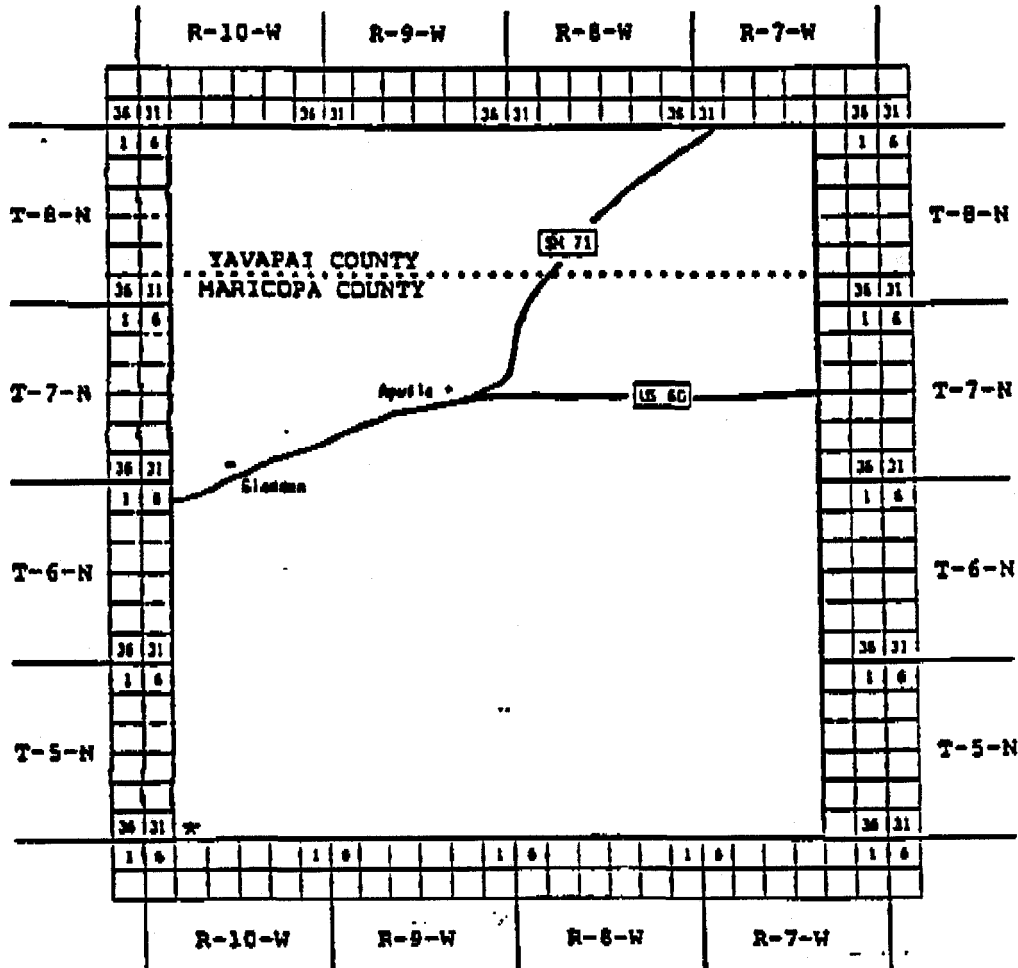
SECTION NO. _____
 SHEET NO. _____
 REVISION NO. ORIGINAL
 SUPERCEDES _____

TABLETOP TELEPHONE COMPANY, INC.

Page 22 of 22
ARIZONA CORPORATION
COMMISSION



Director of Utilities



NOTE: ★ Indicates the Point of Beginning for legal description.

EXCHANGE AREA BOUNDARY MAP
AGUILA, ARIZONA
SCALE: 1" = 6 MILES
ISSUE DATE: FEBRUARY 1994

SECTION NO. _____
SHEET NO. _____
REVISION NO. ORIGINAL
SUPERCEDES _____

Decision No. 58763
(FRI) 8. 6'99 16:25/ST.16:21/NO.4660808519 P 17

FROM

TABLETOP TELEPHONE COMPANY, INC.

Schedule 2.
Page 23 of 1

Beginning: At the northeast corner of Section 1, T-11-S, R-5-W, of the Gila and Salt River Base and Meridian, Pima County, Arizona:

Thence: West to the northwest corner of Section 6, T-11-S, R-7-W;

Thence: South to the southwest corner of Section 31, T-13-S, R-7-W;

Thence: East to the southeast corner of Section 26, T-13-S, R-5-W;

Thence: South along the eastern boundary line of R-6-W to the point of intersection with the Sonora (Mexico) Border;

Thence: East-south-east along said Border to the southeast corner, Section 13, T-18-S, R-5-W;

Thence: North along the eastern boundary line of R-5-W to the point of beginning, being the northeast corner of Section 1, T-11-S, R-5-W, of the Gila and Salt River Base and Meridian, Pima County, Arizona.

Reflects EAB shown on the Ajo ZAB Map

EXCHANGE AREA LEGAL DESCRIPTION
AJ0, ARIZONA

ISSUE DATE: FEBRUARY 1994

SECTION NO. _____
SHEET NO. _____
REVISION NO. ORIGINAL
SUPERCEDES _____

(FRI) 8. 6'99 16:25/ST.16:21/NO.4660808519 P 18

FROM

1 ORIGINAL and 10 copies of the
2 foregoing hand-delivered for
3 filing this 6th day of
4 August, 1999, to:
5 Docket Control
6 ARIZONA CORPORATION COMMISSION
7 1200 West Washington
8 Phoenix, Arizona 85007
9
10 COPY of the foregoing hand-delivered
11 this 4th day of August, 1999, to:
12 Maureen Scott
13 ARIZONA CORPORATION COMMISSION
14 Legal Division
15 1200 West Washington
16 Phoenix, Arizona 85007
17
18 Ray Williamson
19 Director, Utilities Division
20 ARIZONA CORPORATION COMMISSION
21 1200 West Washington
22 Phoenix, Arizona 85007
23
24 Jerry L. Rudibaugh, Chief Hearing Officer
25 Hearing Division
26 Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007
COPY of the foregoing faxed/mailed
this 6th day of August, 1999, to:
Scott S. Wakefield, Chief Counsel
Residential Utility Consumer Office
2828 N. Central Ave., Suite 1200
Phoenix, AZ 85004-1022
Donald A. Low, Senior Attorney
Sprint Communications Company, L.P.
8140 Ward Parkway - 5E
Kansas City, MO 64114
Steven J. Duffy
Ridge & Isaacson, P.C.
3101 N. Central Ave., Suite 432
Phoenix, AZ 85012

- 1 Raymond S. Heyman
- 2 Randall H. Warner
- 3 Roshka Heyman & DeWulf
- 4 Two Arizona Center
- 5 400 N. Fifth St., Suite 1000
- 6 Phoenix, AZ 85004
- 7
- 8 Peter Q. Nyce, Jr.
- 9 General Attorney, Regulatory Law Office
- 10 U.S. Army Legal Services Agency
- 11 Department of the Army
- 12 901 N. Stuart St., Suite 700
- 13 Arlington, VA 22203-1837
- 14
- 15 Richard Lee
- 16 Snavelly, King, Majoros, O'Connor & Lee, Inc.
- 17 1220 L St., N.W., Suite 410
- 18 Washington, D.C. 20005
- 19
- 20 Thomas F. Dixon
- 21 MCI WorldCom
- 22 707 17th St., Suite 3900
- 23 Denver, CO 80202
- 24
- 25 Thomas H. Campbell
- 26 Lewis & Roca
- 40 N. Central Ave.
- Phoenix, AZ 85004
- 16 Richard S. Wolters
- AT&T
- 17 1875 Lawrence St., Suite 1575
- Denver, CO 80202
- 18
- 19 Mary B. Tribby
- At&T
- 1857 Lawrence St., Ste. 1575
- 20 Denver, CO 80202
- 21 Charles R. Miller
- AT&T
- 22 2800 North Central Avenue, Suite 828
- Phoenix, AZ 85004
- 23
- 24
- 25 Patricia VanMidde
- AT&T
- 2800 N. Central, Room 828
- 26 Phoenix, AZ 85004

- 1 Diane Bacon, Legislative Director
Communications Workers of America
2 Arizona State Council
5818 N. 7th St., Suite 206
3 Phoenix, AZ 85014-5811
- 4 Frank Paganelli, Esq.
Blumenfeld and Cohen
5 1615 M Street, Suite 700
Washington, D.C. 20036
- 6 Lex J. Smith
7 Michael W. Patten
BROWN & BAIN, P.A.
8 2901 North Central Avenue, Suite 2000
Phoenix, Arizona 85001-0400
- 9
- 10 Deborah R. Scott
Citizens Utilities Company
11 2901 N. Central Ave., Suite 1660
Phoenix, AZ 85012
- 12 Jeffrey Crockett
13 Snell & Wilmer
One Arizona Center
14 Phoenix, AZ 85004-0001
- 15 J.E. McGillivray
300 S. McCormick
16 Prescott, AZ 86303
- 17 Jon Poston
Arizonians for Competition in Telephone Service
18 6733 East Dale Lane
Cave Creek, AZ 85331
- 19

20

21

22

23

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25

26

EXHIBIT A

Final Order

1 BEFORE THE ARIZONA CORPORATION COMMISSION
2 MARCIA WEEKS
3 Chairman
4 RENZ D. JENNINGS
5 Commissioner
6 DALE H. MORGAN
7 Commissioner

DOCKETED

SEP 01 1994

DOCKETED BY

C.M.

8 IN THE MATTER OF THE APPLICATION
9 OF U S WEST COMMUNICATIONS, INC.,
10 FOR APPROVAL OF THE TRANSFER OF
11 CERTAIN TELEPHONE FACILITIES AND
12 THE DELETION OF THE CLIFTON,
13 DUNCAN, ELFRIDA AND YORK VALLEY
14 EXCHANGES FROM ITS SERVICE
15 TERRITORY.

DOCKET NO. E-1051-93-189

USWI - AZ LAW

SEP 06 1994

GARY LANE

16 IN THE MATTER OF THE APPLICATION
17 OF COPPER VALLEY TELEPHONE, INC.
18 FOR AN ORDER DESIGNATING IT A
19 PUBLIC SERVICE CORPORATION;
20 AUTHORIZING THE ACQUISITION OF
21 CERTAIN TELEPHONE EXCHANGES,
22 ASSETS AND OPERATING AUTHORITY OF
23 U S WEST COMMUNICATIONS; AND
24 AUTHORIZING IT TO CHARGE THE RATES
25 CURRENTLY CHARGED BY U S WEST IN
26 THE EXCHANGES TO BE ACQUIRED.

DOCKET NO. U-2727-93-189

27 IN THE MATTER OF THE APPLICATION
28 OF U S WEST COMMUNICATIONS, INC.,
FOR APPROVAL OF THE TRANSFER OF
CERTAIN TELEPHONE FACILITIES AND
THE DELETION OF THE YOUNG EXCHANGE
FROM ITS SERVICE TERRITORY.

DOCKET NO. E-1051-93-190

29 IN THE MATTER OF THE APPLICATION
30 OF MIDVALE TELEPHONE EXCHANGE,
31 INC. FOR AN ORDER AUTHORIZING THE
32 ACQUISITION OF CERTAIN ASSETS,
33 OPERATING AUTHORITY AND/OR
34 CERTIFICATE OF CONVENIENCE AND
35 NECESSITY OF U S WEST
36 COMMUNICATIONS; AND AUTHORIZING
37 IT TO CHARGE THE RATES CURRENTLY
38 CHARGED BY U S WEST IN THE
39 EXCHANGE TO BE ACQUIRED.

DOCKET NO. U-2532-93-190

40 . . .

1 IN THE MATTER OF THE APPLICATION)
 2 OF U S WEST COMMUNICATIONS, INC.,)
 3 FOR APPROVAL OF THE TRANSFER OF)
 4 CERTAIN TELEPHONE FACILITIES AND)
 5 THE DELETION OF THE AGUILA, AJO,)
 6 BAGDAD, SAN CARLOS, SANDERS, AND)
 7 SELIGMAN EXCHANGES FROM ITS)
 8 SERVICE TERRITORY.)

DOCKET NO. E-1051-93-191

6 IN THE MATTER OF THE APPLICATION)
 7 OF TABLE TOP TELEPHONE COMPANY,)
 8 INC. FOR AN ORDER DESIGNATING IT)
 9 A PUBLIC SERVICE CORPORATION;)
 10 AUTHORIZING THE ACQUISITION OF)
 11 CERTAIN TELEPHONE EXCHANGES,)
 12 ASSETS AND OPERATING AUTHORITY OF)
 13 U S WEST COMMUNICATIONS; AND)
 14 AUTHORIZING IT TO CHARGE THE)
 15 RATES CURRENTLY CHARGED BY)
 16 U S WEST IN THE EXCHANGES TO BE)
 17 ACQUIRED.)

DOCKET NO. U-2724-93-191

DECISION NO. 58763

ORDER

13 DATES OF HEARING: April 28, May 2, 3, July 18, 1994

14 PLACE OF HEARING: Phoenix, Arizona

15 PRESIDING OFFICER: Marc Stern

16 IN ATTENDANCE: Chairman Marcia Weeks
 17 Commissioner Renz D. Jennings
 18 Commissioner Dale H. Morgan

18 APPEARANCES: Mr. Gary L. Lane, Chief Counsel-Arizona and
 19 Ms. Wendy Moser, Senior Attorney, on behalf of
 20 U S West, Inc.

20 SNELL & WILMER, by Mr. Bruce P. White and Mr.
 21 Jeffrey W. Crockett, Attorneys, on behalf of
 22 Copper Valley, Midvale and Table Top Telephone
 23 Companies

23 Mr. T. Larry Barnes, General Attorney, on
 24 behalf of AT&T Communications of the Mountain
 25 States, Inc.

25 Ms. Karen Fry, President, WALD, Incorporated,
 26 on behalf of the Western Pima County Community
 27 Council.

26 Ms. Elizabeth A. Kushibab and Mr. Bradford A.
 27 Borman, Staff Attorneys, on behalf of the
 28 Arizona Corporation Commission Staff

1 BY THE COMMISSION:

2 FINDINGS OF FACT

3 1. U S WEST Communications, Inc. ("U S WEST") is an
4 Arizona public service corporation providing message transmission
5 and public telephone services within the State of Arizona pursuant
6 to Article 15, Section 2, of the Arizona Constitution.

7 2. Midvale Telephone Exchange, Inc. ("Midvale") is an
8 Idaho corporation authorized to transact business in Arizona as a
9 foreign corporation. Midvale is a public service corporation
10 certificated by the Commission to provide message transmission and
11 public telephone services within the State of Arizona pursuant to
12 Article 15, Section 2, of the Arizona Constitution.

13 3. Table Top Telephone Company, Inc. ("Table Top") is
14 a Nevada corporation authorized to transact business in the State
15 of Arizona as a foreign corporation.

16 4. Copper Valley Telephone, Inc. ("Copper Valley"), a
17 subsidiary of Valley Telephone Cooperative, Inc., is a Nevada
18 corporation authorized to transact business in the State of Arizona
19 as a foreign corporation.

20 5. On July 16, 1993, U S WEST filed with the Arizona
21 Corporation Commission ("Commission") three separate applications
22 requesting the Commission's approval of the sale of certain
23 telephone facilities and the transfer of the related portions of
24 U S WEST's Certificate of Convenience and Necessity ("Certificate")
25 for the Clifton, Duncan, Elfrida and York Valley Exchanges to
26 Copper Valley; the sale of certain telephone facilities and the
27 transfer of the related portion of U S WEST's Certificate for the
28 Young Exchange to Midvale; and the sale of certain telephone

1 facilities and the transfer of the related portions of U S WEST's
2 Certificate for the Aguila, Ajo, Bagdad, San Carlos, Sanders and
3 Seligman Exchanges to Table Top. Table Top, Copper Valley and
4 Midvale are collectively referred to herein as "Buyers."

5 6. Concurrently with U S WEST's application on July 16,
6 1993, Table Top filed with the Commission an application requesting
7 that the Commission issue its order (i) designating Table Top a
8 public service corporation; (ii) authorizing Table Top to acquire
9 by purchase, the assets and Certificate of U S WEST for the Aguila,
10 Ajo, Bagdad, San Carlos, Sanders and Seligman Exchanges; and
11 (iii) authorizing Table Top to charge, as initial rates, the rates
12 authorized to U S WEST in each of the above-listed Exchanges at the
13 time the application was filed, with potential modifications
14 regarding line extension charges and exchange access rates that
15 were to be addressed in the general tariff to be filed subsequently
16 by Table Top.

17 7. Concurrently with U S WEST's application on July 16,
18 1993, Copper Valley filed with the Commission an application
19 requesting that the Commission issue an order (i) designating
20 Copper Valley a public service corporation; (ii) authorizing Copper
21 Valley to acquire, by purchase, the assets and Certificate of U S
22 WEST for the Clifton, Duncan, Elfrida and York Valley Exchanges;
23 and (iii) authorizing Copper Valley to charge, as initial rates,
24 the rates authorized to U S WEST in each of the above-listed
25 Exchanges at the time the application was filed, with potential
26 modifications regarding line extension charges and exchange access
27 rates that were to be addressed in the general tariff to be filed
28 subsequently by Copper Valley.

1 8. On July 19, 1993, Midvale filed with the Commission
2 an application requesting that the Commission issue an order
3 (i) authorizing Midvale to acquire, by purchase, the assets and
4 Certificate of U S WEST for the Young Exchange; and
5 (ii) authorizing Midvale to charge, as initial rates, the rates
6 authorized to U S WEST in the Young Exchange at the time the
7 application was filed, with potential modifications regarding line
8 extension charges and exchange access rates that were to be
9 addressed in a revised tariff sheet that was to be filed
10 subsequently by Midvale.

11 9. On September 16, 1993, AT&T Communications of the
12 Mountain States, Inc. ("AT&T") filed an Application to Intervene in
13 the above-captioned dockets.

14 10. There being no opposition to AT&T's Application to
15 Intervene, AT&T was granted intervention in the above-captioned
16 dockets by Procedural Order dated October 18, 1993.

17 11. On December 20, 1993, staff of the Commission's
18 Utilities Division ("Staff") filed a motion to consolidate the
19 three applications filed by U S WEST and the three applications
20 filed by Buyers for purposes of a hearing in the above-captioned
21 dockets.

22 12. On December 29, 1993, the Commission issued its
23 Procedural Order consolidating the above-captioned dockets.

24 13. On January 5, 1993, the San Carlos Apache Tribe
25 filed an Application to Intervene in the above-captioned dockets.

26 14. There being no opposition to the San Carlos Apache
27 Tribe's Application to Intervene, the Tribe was granted
28 . . .

1 intervention in the above-captioned dockets by Notification of
2 Intervention dated January 18, 1994.

3 15. On January 19, 1994, U S WEST and Buyers filed a
4 Motion to Bifurcate Proceedings seeking to address the proposed
5 sale of the San Carlos Exchange in a separate proceeding. This
6 motion was occasioned by the intervention of the San Carlos Apache
7 Tribe which expressed an interest in acquiring the San Carlos
8 Exchange in its application for intervention.

9 16. On February 2, 1994, the Commission issued its
10 Procedural Order granting U S WEST's and Buyers' Motion to
11 Bifurcate Proceedings and ordering U S WEST to delete from its
12 application in Docket No. E-1051-93-191 the request for approval of
13 the sale of the San Carlos Exchange to Table Top. Thereafter, the
14 Commission issued its Second Amended Procedural Order dated
15 February 24, 1994, ordering the San Carlos Apache Tribe to file
16 written notice with the Commission if it intended to continue as an
17 intervenor in the above-captioned dockets.

18 17. On March 14, 1994, the San Carlos Apache Tribe filed
19 a Notice to Continue as an Intervenor. However, except for its
20 Application to Intervene and its Notice to Continue as an
21 Intervenor, the San Carlos Apache Tribe did not file any other
22 pleading or attend any of the proceedings held in the above-
23 captioned dockets.

24 18. Public comment sessions in the above-captioned
25 dockets were held by the Commission on the following dates at the
26 following locations:

27 . . .

28 . . .

	<u>Date:</u>	<u>Location:</u>
1		
2	January 18, 1994	Town Hall
3	7:00 p.m.	210 North Coronado Blvd.
4	Tuesday	Clifton, Arizona
5	January 18, 1994	Bagdad High School Auditorium
6	7:00 p.m.	515 Breezy 6 Circle
7	Tuesday	Bagdad, Arizona
8	January 19, 1994	Seligman School
9	3:00 p.m.	315 North Main, Room 201
10	Wednesday	Seligman, Arizona
11	January 19, 1994	Elfrida Community Ctr.
12	7:00 p.m.	10550 Highway 191
13	Wednesday	Elfrida, Arizona
14	January 20, 1994	Copper Kettle
15	7:00 p.m.	23 Plaza
16	Thursday	Ajo, Arizona
17	January 24, 1994	Young Public Library
18	7:00 p.m.	150 Community Ctr. Rd., Hwy 288
19	Monday	Young, Arizona

19. The direct testimony of U S WEST witnesses Clarice Honeycutt, Jerrold Thompson and James Roof, Table Top witnesses Matthew Boos and Ray Hendershot, Copper Valley witness John Francis, and Midvale witness Lane Williams was filed on January 21, 1994.

20. On February 4, 1994, Table Top and Copper Valley filed general tariffs for the Exchanges to be acquired. Also on February 4, 1994, Midvale filed a revised Sheet No. 22A to the Midvale tariff currently on file with the Commission.

21. On February 11, 1994, WALD, Inc. ("WALD")^{1/} and the Western Pima County Community Council, Inc. ("WPCCC") requested that they be permitted to intervene in the above-captioned dockets.

26 . . .

27

28 ^{1/} WALD, Inc., is a non-profit corporation and stands for Why, Ajo and Lukeville Development.

1 22. There being no opposition to the request of WALD and
2 WPCCC to intervene, they were granted intervention in the above-
3 captioned dockets by Notification of Intervention dated February
4 24, 1994.

5 23. A representative of WALD and WPCCC attended the
6 public comment session held March 3, 1994, but WALD and WPCCC did
7 not attend any of the other proceedings in the above-captioned
8 dockets.

9 24. On February 16, 1994, MCI Telecommunications
10 Corporation ("MCI") filed an Application to Intervene in the above-
11 captioned dockets.

12 25. There being no opposition to MCI's Application to
13 Intervene, MCI was granted intervention in the above-captioned
14 dockets by Notification of Intervention dated March 1, 1994.

15 26. Except for the Application to Intervene filed by
16 MCI, MCI did not participate in any of the proceedings in the
17 above-captioned dockets.

18 27. On February 24, 1994, U S WEST filed its Proof of
19 Publication evidencing that notice of its applications had been
20 published in newspapers of general circulation in each of the
21 affected Exchange areas, and further that notice of the
22 applications was mailed to each of U S WEST's customers in the
23 affected Exchange areas, all as required by order of the
24 Commission..

25 28. Additional public comment in the above-captioned
26 dockets was taken on March 3, 1994, at 9:30 a.m., at the
27 Commission's offices in Phoenix, Arizona.

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28 . . .

1 37. On May 12, 1994, Staff filed its response to
2 U S WEST's motion indicating its opposition to the hearing dates
3 proposed by U S WEST.

4 38. On June 21, 1994, the Commission issued its Fifth
5 Procedural Order stating that the hearing in the above-captioned
6 dockets would reconvene on July 18, 1994, at 9:30 a.m., at the
7 Commission's offices in Phoenix, Arizona.

8 39. When the hearing reconvened on July 18, 1994, Staff,
9 U S WEST and Buyers advised the Hearing Officer that they had
10 reached an agreement. The agreement was set forth in two separate
11 documents: a Settlement Agreement between U S WEST and Staff dated
12 July 15, 1994 (hereinafter "U S WEST Agreement") and a Settlement
13 Agreement between the Buyers and Staff dated July 15, 1994
14 (hereinafter "Buyers Agreements"). A copy of the U S West
15 Agreement is attached hereto as Exhibit 1. A copy of the Buyers
16 Agreement is attached hereto as Exhibit 2.

17 40. Pursuant to the U S WEST Agreement, U S WEST and
18 Staff agreed to resolve all issues that exist between U S WEST and
19 Staff in Docket Nos. E-1051-93-189, E-1051-93-190 and E-1051-93-191
20 on the following terms:

21 a. Staff agrees that the gain realized by
22 U S WEST from the sales transactions with the
23 Buyers shall be recorded below the line for
regulatory purposes.

24 b. U S WEST agrees to pay the Buyers, at the time
25 the transactions close, the following amounts
26 as a cost of the sales toward implementation
of Extended Area Service in the sale
Exchanges, or for other considerations:

27 (i) \$800,000 toward implementation of
28 Extended Area Service in the Aguila
Exchange and for other considerations.

(ii) \$90,000 toward implementation of Extended Area Service in the Clifton and Duncan Exchanges.

(iii) \$106,718 for the Young Exchange.

c. Staff and U S WEST agree that, in exchange for a declaratory ruling on the gain requested in U S WEST's application, U S WEST will invest an amount in Arizona, equal to the gain, as described in paragraph (e) below.

d. Both Staff and U S West, as part of this Agreement have agreed to eliminate any revenue requirement reduction associated with the sales transaction in Docket No. E-1051-93-183, since any such adjustment would be an out of period adjustment to the test year ending March 31, 1993.^{2/} U S WEST agrees to invest an amount equal to the revenue requirement reduction associated with these sales, as described in paragraph (e) below.

e. Upon the issuance of a Commission decision in the sales dockets, in lieu of sharing any gain on the sale of the Exchanges with customers, U S WEST agrees to invest \$8.5 million over and above the amount U S WEST would otherwise invest in Arizona during the time periods and for the facilities referenced in subparagraphs (e.ii), (e.iii) and (e.v) below. This additional \$8.5 million will be used to eliminate held orders and to upgrade rural facilities as follows:

(i) Upon the issuance of a Commission decision in the sales dockets, U S WEST will submit a detailed list to Staff of all held orders pending at that time. The held orders will be segregated or classified by wire center. The list shall also contain detailed cost estimates for remedying each held order. Staff, during the initial 10 days of submission of the held order list, will take whatever steps it deems necessary to verify the currency and accuracy of

. . .

^{2/} We note that this Agreement is only between Staff, U S West, and the Buyers, and does not include RUCCO or any other party to Docket No. E-1051-93-183. Consequently, this order does not bind the Commission to either U S West or Staff's position on the revenue requirement associated with the sales transaction as it relates to Docket No. E-1051-93-183.

the list and to establish priority for remedying the held orders together with U S WEST.

- (ii) Within 180 days of receipt of Staff's verification, U S WEST will construct the necessary facilities to provide service to all customers identified on the held order list.
- (iii) No later than 210 days after the issuance of a Commission decision in the sales dockets, U S WEST will have paid \$4.25 million, to purchase and/or install the investment necessary to remedy held orders in U S WEST's service territory. If after reviewing the list of held orders and associated cost estimates, the Staff determines that either a greater or smaller amount than \$4.25 million should be expended to remedy held orders, U S WEST, upon notification by Staff, will change the amounts currently stated in subparagraphs (e.iii) and (e.v) of this item. In all instances, the total expenditures committed to subparagraphs (e.iii) and (e.v) will total \$8.5 million.
- (iv) Following completion of work to remedy existing held orders (see subparagraphs (e.i) through (e.iii)), U S WEST on a going forward basis, agrees to provide a list of all future held orders to Staff on a quarterly basis. This list shall include applicant's name, address, exchange name, date of application for service, estimated costs and estimated date for service connection. In good faith, U S WEST also agrees to use its best efforts to construct, on an expedited basis, the necessary facilities to connect new service lines and to remedy new held orders.
- (v) \$4.25 million will be spent by U S WEST on investment in exchange, switching and interoffice facilities in rural areas according to the general guidelines contained in Schedule 1 to the U S WEST Agreement. The funds expended shall not include any of the rural switch upgrades.

1 agreed to by U S WEST in the 1991 rate
 2 case settlement agreement. U S WEST
 3 agrees to submit a list of specific
 4 projects, which includes cost estimates
 5 for each project, within 60 days of the
 6 issuance of a Decision in the sales
 7 dockets for Staff's review and approval.
 8 If, after reviewing the list of specific
 9 projects and associated cost estimates,
 10 the Staff determines that less than
 11 \$4.25 million should be spent on rural
 12 investments, U S WEST, upon notification
 13 by Staff, will increase the amount to be
 14 expended on held orders, which is
 15 currently stated in subparagraph (e.iii)
 16 of this item. Similarly, any unspent
 17 monies under item (e), subparagraph
 18 (e.iii), will be added to the amounts
 19 expended under this subparagraph, so
 20 that the cumulative expenditures under
 21 subparagraphs (e.iii) and (e.v) of this
 22 item total \$8.5 million.

- 23 f. Within 30 days of the issuance of a Commission
 24 Decision in the sales dockets, U S WEST will
 25 submit, for Staff's review and approval, a
 26 detailed description of the accounting
 27 procedures it intends to utilize to track the
 28 expenditures on held orders and facilities
 upgrades discussed in item (e) above.
- g. U S WEST agrees to modify its tariffs on new
 connections to conform to the language
 contained in Schedule 2 to the U S WEST
 Agreement. U S WEST agrees to submit these
 tariff changes to the Commission within 30
 days of the issuance of a Commission Decision
 in the sales dockets.
- h. The investment referred to in item (e) is not
 indicative of the total capital budget amount
 for the State of Arizona.
- i. Except as otherwise expressly provided in the
 U S WEST Agreement, all provisions of the
 agreement have been negotiated for settlement
 purposes only, and neither Staff nor U S WEST
 has approved, accepted, agreed to or otherwise
 waived, on a prospective basis, its position
 on the appropriate treatment of any gain on
 the sale of utility assets.

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28 . . .

- j. Following Commission approval without additions or modifications, U S WEST will proceed with the proposal on held orders. Following Commission approval, Federal Communications Commission approval, and the consummation of the three sale transactions. the other agreements of U S WEST, Staff and the Buyers will take effect.

41. Pursuant to the Buyers Agreement, the Buyers and Staff agreed to resolve all issues that exist between the Buyers and Staff in Docket Nos. U-2727-93-189, U-2532-93-190 and U-2724-93-191 on the following terms:

- a. The Buyers agree to adopt a uniform interLATA and intraLATA access rate of \$0.08 per minute, and a uniform billing and collection charge of \$0.085 per message.
- b. The Buyers agree to offer equal access at the time that digital switches are installed according to the time frames contained in Schedule 1 to the Buyers Agreement.
- c. At a minimum, the Buyers agree to upgrade facilities according to the amounts and time frames contained in Schedule 1 to the Buyers Agreement.
- d. Table Top agrees to implement Extended Area Service between its Aguila Exchange and Wickenburg, Circle City and Yarnall as proposed by Staff in Docket No. E-1051-93-183. Extended Area Service in the Aguila Exchange is to be implemented at the time that digital switches are installed.
- e. Copper Valley agrees to implement Extended Area Service between its Clifton and Duncan Exchanges as proposed by Staff in Docket No. E-1051-93-183. Extended Area Service in the Clifton and Duncan Exchanges is to be implemented at the time that digital switches are installed.
- f. Midvale agrees to increase its initial equity investment from \$50,000 to \$70,000, and to increase that equity investment in whatever amount is necessary to achieve positive cash flow for the Young Exchange in four out of the first five years of operation.

- 1 g. The Buyers agree to file in their tariffs the
2 maps contained in Schedule 2 to the Buyers
3 Agreement.
4 h. The Buyers agree not to file general rate
5 cases for a period of (4) years from the time
6 of closing.
7 i. The Buyers agree to forego seeking recovery of
8 the acquisition adjustment in future rate
9 proceedings.

10 42. The U S WEST Agreement and the Buyers Agreement both
11 recite that the provisions of the settlement agreements are not
12 severable and that each agreement shall become effective only after
13 the Commission has entered an order approving both agreements
14 without modification, and that if both agreements are not approved
15 by the Commission in the form submitted, each agreement shall be
16 deemed withdrawn, and the stipulations contained in the agreement
17 shall be void.

18 43. At the hearing on July 18, 1994, U S WEST witness
19 James Roof, Buyers' witness John Francis and Staff witness Linda
20 Jaress discussed the terms and conditions of each agreement. After
21 an opportunity to cross examine each of the witnesses, the attorney
22 for intervenor AT&T stated that although AT&T did not support the
23 settlement reached by the parties, it did not oppose the
24 settlement.

25 44. Adoption of the U S WEST Agreement and the Buyers
26 Agreement would result in substantial upgrades to the telephone
27 network in the rural areas to be acquired by Buyers, the expansion
28 of local calling areas and the implementation of Extended Area
Service in certain of the Exchanges to be acquired by Buyers, the
freezing of rates in the Exchanges to be acquired by Buyers for at

1 least four years, and the remedy of certain held orders in the
2 remaining rural areas served by U S WEST.

3 45. In order to provide telephone service, Table Top
4 must obtain county franchises in Apache, Coconino, Maricopa, Pima
5 and Yavapai Counties. No other municipal franchises are required.

6 46. In order to provide telephone service, Copper Valley
7 must obtain county franchises in Cochise and Greenlee Counties.
8 Copper Valley must also obtain municipal franchises from the towns
9 of Clifton and Duncan. No other municipal franchises are required.

10 47. In order to provide telephone service, Midvale must
11 obtain a county franchise from Gila County. No other municipal
12 franchises are required.

13 48. Table Top, Copper Valley and Midvale have each filed
14 certified copies of their respective articles of incorporation and
15 copies of their Certificates of Good Standing in the State of
16 Arizona.

17 CONCLUSIONS OF LAW

18 1. U S WEST is a public service corporation within the
19 meaning of Article 15 of the Arizona Constitution and A.R.S. §§ 40-
20 250, 40-251 and 40-367.

21 2. Midvale is a public service corporation within the
22 meaning of Article 15 of the Arizona Constitution and A.R.S. §§ 40-
23 250, 40-251 and 40-367.

24 3. Upon commencement of operations, Table Top will be
25 a public service corporation within the meaning of Article 15 of
26 the Arizona Constitution and A.R.S. §§ 40-250, 40-251 and 40-367.

27 . . .

28 . . .

1 4. Upon commencement of operations, Copper Valley will
2 be a public service corporation within the meaning of Article 15 of
3 the Arizona Constitution and A.R.S. §§ 40-250, 40-251 and 40-367.

4 5. The Commission has jurisdiction over U S WEST,
5 Midvale, Table Top and Copper Valley, over the subject matter of
6 the above-captioned dockets, and over the U S WEST Agreement and
7 the Buyers Agreement.

8 6. Notice of all applications in the above-captioned
9 dockets was given in accordance with State law.

10 7. Table Top, Copper Valley and Midvale are each fit,
11 willing and able entities to receive a Certificate of Convenience
12 and Necessity for the operation of a telephone utility in the
13 Exchanges to be acquired.

14 8. The applications of U S WEST and Buyers should be
15 approved.

16 9. Based on the Buyers Agreement, Buyers must adopt a
17 uniform interLATA and intraLATA access rate of \$0.08 per minute,
18 and a uniform billing and collection charge of \$0.085 per message.

19 10. The rates and charges authorized herein are just and
20 reasonable and should be approved.

21 11. Upon the filing by Table Top of county franchises
22 for Apache, Coconino, Maricopa, Pima and Yavapai Counties, by
23 Copper Valley of county franchises for Cochise and Greenlee
24 Counties, and municipal franchises for the towns of Clifton and
25 Duncan, and by Midvale of county franchise for Gila County, Buyers
26 will have received all required consents, franchises or permits of
27 the proper city, county, municipal or other public authority.

28 . . .

1 12. Table Top, Copper Valley and Midvale should be
2 directed to file revised tariffs consistent with the Findings of
3 Fact contained herein.

4 13. The U S WEST Agreement resolves all issues pending
5 in these dockets, as referenced in Finding of Fact No. 40, in a
6 manner which is just and reasonable, and which promotes the public
7 interest.

8 14. The Buyers Agreement resolves all issues pending in
9 these dockets, as referenced in Finding of Fact No. 41, in a manner
10 which is just and reasonable, and which promotes the public
11 interest.

12 15. The Commission's acceptance of the U S WEST
13 Agreement, inclusive of schedules, is in the public interest.

14 16. The Commission's acceptance of the Buyers Agreement,
15 inclusive of schedules, is in the public interest.

16 17. Subject to the terms contained in both the U S West
17 Agreement and the Buyers Agreement, the transfer of the
18 Certificates and assets of U S West in the subject Exchanges to
19 Copper Valley, Midvale and Table Top is in the public interest and
20 should be approved.

21 18. This order does not bind the Commission to either
22 U S West or Staff's position on the revenue requirement associated
23 with the sales transaction as it relates to Docket No. E-1051-93-
24 183.

25 ORDER

26 IT IS THEREFORE ORDERED that the application of U S WEST
27 for approval of (i) the sale of certain telephone facilities and
28 the transfer of the related portions of U S WEST's Certificate for

1 the Clifton, Duncan, Elfrida and York Valley Exchanges to Copper
2 Valley; (ii) the sale of certain telephone facilities and the
3 transfer of the related portion of U S WEST's Certificate for the
4 Young Exchange to Midvale; and (iii) the sale of certain telephone
5 facilities and the transfer of the related portions of U S WEST's
6 Certificate for the Aguila, Ajo, Bagdad, Sanders and Seligman
7 Exchanges to Table Top, is hereby approved.

8 IT IS FURTHER ORDERED that the application of Table Top
9 for an order (i) designating Table Top a public service
10 corporation; (ii) authorizing Table Top to acquire, by purchase,
11 the assets and Certificate of U S WEST for the Aguila, Ajo, Bagdad,
12 Sanders and Seligman Exchanges; and (iii) authorizing Table Top to
13 charge, as initial rates, the existing rates of U S WEST in each of
14 the Exchanges as of the date of this Decision, except with respect
15 to the uniform interLATA and intraLATA access rate and uniform
16 billing and collection charge which is set forth separately herein,
17 is approved.

18 IT IS FURTHER ORDERED that the application of Copper
19 Valley for an order (i) designating Copper Valley a public service
20 corporation; (ii) authorizing Copper Valley to acquire, by
21 purchase, the assets and Certificate of U S WEST for the Clifton,
22 Duncan, Elfrida and York Valley Exchanges; and (iii) authorizing
23 Copper Valley to charge, as initial rates, the existing rates of U
24 S WEST in each of the Exchanges as of the date of this Decision,
25 except with respect to the uniform interLATA and intraLATA access
26 rate and uniform billing and collection charge which is set forth
27 separately herein, is approved.

28 . . .

1 the Clifton, Duncan, Elfrida and York Valley Exchanges to Copper
2 Valley; (ii) the sale of certain telephone facilities and the
3 transfer of the related portion of U S WEST's Certificate for the
4 Young Exchange to Midvale; and (iii) the sale of certain telephone
5 facilities and the transfer of the related portions of U S WEST's
6 Certificate for the Aguila, Ajo, Bagdad, Sanders and Seligman
7 Exchanges to Table Top, is hereby approved.

8 IT IS FURTHER ORDERED that the application of Table Top
9 for an order (i) designating Table Top a public service
10 corporation; (ii) authorizing Table Top to acquire, by purchase,
11 the assets and Certificate of U S WEST for the Aguila, Ajo, Bagdad,
12 Sanders and Seligman Exchanges; and (iii) authorizing Table Top to
13 charge, as initial rates, the existing rates of U S WEST in each of
14 the Exchanges as of the date of this Decision, except with respect
15 to the uniform interLATA and intraLATA access rate and uniform
16 billing and collection charge which is set forth separately herein,
17 is approved.

18 IT IS FURTHER ORDERED that the application of Copper
19 Valley for an order (i) designating Copper Valley a public service
20 corporation; (ii) authorizing Copper Valley to acquire, by
21 purchase, the assets and Certificate of U S WEST for the Clifton,
22 Duncan, Elfrida and York Valley Exchanges; and (iii) authorizing
23 Copper Valley to charge, as initial rates, the existing rates of U
24 S WEST in each of the Exchanges as of the date of this Decision,
25 except with respect to the uniform interLATA and intraLATA access
26 rate and uniform billing and collection charge which is set forth
27 separately herein, is approved.

28

1 IT IS FURTHER ORDERED that all motions pending at the
2 time of this Decision are hereby denied.

3 IT IS FURTHER ORDERED that this Decision shall become
4 effective immediately.

5 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
6

7
8 *Barbara L. Weber*
CHAIRMAN

9
10 *[Signature]*
COMMISSIONER

COMMISSIONER

11 IN WITNESS WHEREOF, I, JAMES MATTHEWS,
12 Executive Secretary of the Arizona
13 Corporation Commission, have hereunto
14 set my hand and caused the official seal
of this Commission to be affixed at the
Capitol, in the City of Phoenix, this
1 day of September, 1994.

15 *James Matthews*
JAMES MATTHEWS
16 Executive Secretary

17
18 DISSENT *Dale H. Morgan*

19 See dissenting opinion of Commissioner Dale H. Morgan, Attached.
20
21
22
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25
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27
28

FROM

DISSENT OF COMMISSIONER DALE H. MORGAN

Through its actions today, the Commission has allowed to vanish an opportunity to provide real benefits to Arizona telephone customers. It is apparent that the Commission's attempt to reserve for the rate case the issue of the revenue requirement associated with the rural exchanges has altered the terms of the settlement agreement, and will likely result in U S WEST backing out of that agreement.

The settlement agreement reached between Staff, U S WEST and the Buyers of the rural exchanges would ensure that benefits flow to the customers in the areas being transferred, as well as to the customers remaining on U S WEST's system. The Buyers committed to a timetable for installation of digital switches and for upgrading facilities, and for the implementation of Extended Area Service in certain areas. The Buyers also agreed not to file a general rate case for four years, and to forego seeking recovery of an acquisition adjustment in future proceedings. U S WEST committed to invest \$8.5 million to eliminate held orders and to upgrade rural facilities.

There are several reasons why I must dissent from this order. The first is that the outcome of the order is that the benefits to all customers may now be lost. This result is particularly unfortunate because it falls most heavily on the very customers who are in most need of the service and facilities improvements.

In addition, the order passed today appears to ignore the fact that the revenue requirement associated with the rural exchanges is significantly less than the \$8.5 million that U S WEST is investing back into held orders and rural upgrades. The net benefit is significant and real, and should not be placed at risk by the Commission in this order.

Finally, I must dissent because the Commission has lost perspective in this order. The revenue requirement associated with the rural exchanges pales in comparison with the benefits to be received by all customers. The overwhelming net benefits flowing from the transaction clearly make the settlement in the public interest. The Commission should support this settlement.

For the foregoing reasons, I dissent.

EXHIBIT 1

SETTLEMENT AGREEMENT

15th This Settlement Agreement ("Agreement") is entered into this day of July, 1994 between the Arizona Corporation Commission Staff ("Staff") and U S WEST Communications, Inc. ("U S WEST" or the "Company"). The parties agree as follows:

1. This Agreement resolves all issues that exist between U S WEST and Staff in Docket Nos. E-1051-93-189, E-1051-93-190, and E-1051-93-191 (the "sales dockets").

2. In consideration of all elements of this Agreement, Staff agrees that the gain realized by U S WEST from the sales transactions with Midvale Telephone Exchange, Tabletop Telephone Company, Inc. and Copper Valley Telephone, Inc. (collectively "the Buyers") shall be recorded below the line for regulatory purposes.

3. U S WEST agrees to pay the Buyers, at the time the transactions close, the following amounts as a cost of the sales toward implementation of Extended Area Service (EAS) in the sale exchanges, or for other considerations.

\$800,000 toward implementation of EAS in Aguila and for other considerations;

\$90,000 toward implementation of EAS in Clifton and Duncan;

\$106,718 for the Young exchange.

4. Staff and U S WEST agree that, in exchange for a declaratory ruling on the gain requested in U S WEST's application, U S WEST will invest an amount in Arizona, equal to the gain, as described in paragraph 6 below.

5. Staff and U S WEST agree that there was a revenue requirement reduction associated with the sales transaction which had been the subject of Docket No. E-1051-93-183. Staff and U S WEST agree to account for the revenue requirement reduction in these sales dockets. Accordingly, U S WEST agrees to invest an amount equal to the revenue requirement reduction associated with these sales, as described in paragraph 6 below.

6. Upon the issuance of a Commission decision in the sales dockets, in lieu of sharing any gain on the sale of the exchanges with customers, U S WEST agrees to invest \$8.5 million over and above the amount U S WEST would otherwise invest in Arizona during the time periods and for the facilities referenced in subparagraphs 6.2, 6.3 and 6.5. This additional \$8.5 million will be used to eliminate held orders and to upgrade rural facilities as follows:

Decision No. 58763

- 6.1 Upon the issuance of a Commission decision in the sales dockets, U S WEST will submit a detailed list to Staff of all held orders pending at that time. The held orders will be segregated or classified by wire center. The list shall also contain detailed cost estimates for remedying each held order. Staff, during the initial 10 days of submission of the held order list, will take whatever steps it deems necessary to verify the currency and accuracy of the list and to establish priority for remedying the held orders together with U S WEST.
- 6.2 Within 180 days of receipt of Staff's verification, U S WEST will construct the necessary facilities to provide service to all customers identified on the held order list.
- 6.3 No later than 210 days after the issuance of a Commission decision in the sales dockets, U S WEST will have paid \$4.25 million, to purchase and/or install the investment necessary to remedy held orders in U S WEST's service territory. If after reviewing the list of held orders and associated cost estimates, the Staff determines that either a greater or smaller amount than \$4.25 million should be expended to remedy held orders, the Company, upon notification by Staff, will change the amounts currently stated in sub-paragraphs 6.3 and 6.5 of this item. In all instances, the total expenditures committed to in sub-paragraphs 6.3 and 6.5 will total \$8.5 million.
- 6.4 Following completion of work to remedy existing held orders (see sub-paragraphs 6.1-6.3), U S WEST on a going forward basis, agrees to provide a list of all future held orders to Staff on a quarterly basis. This list shall include applicant's name, address, exchange name, date of application for service, estimated costs and estimated date for service connection. In good faith, U S WEST also agrees to use its best efforts to construct, on an expedited basis, the necessary facilities to connect new service lines and to remedy new held orders.
- 6.5 \$4.25 million will be spent by U S WEST on investment in exchange, switching and interoffice facilities in rural areas according to the general guidelines contained in Schedule 1. The funds expended shall not include any of the rural switch upgrades agreed to by U S WEST in the 1991 rate case settlement agreement. U S WEST agrees to submit a list of specific projects, which includes cost estimates for each project, within 60 days of

Decision No. 58763

the issuance of a decision in the sales dockets for Staff's review and approval. If, after reviewing the list of specific projects and associated cost estimates, the Staff determines that less than \$4.25 million should be spent on rural investments, the Company, upon notification by Staff, will increase the amount to be expended on held orders, which is currently stated in sub-paragraph 6.3 of this item. Similarly, any unspent monies under item 6, sub-paragraph 6.3, will be added to the amounts expended under this sub-paragraph, so that the cumulative expenditures under sub-paragraphs 6.3 and 6.5 total \$8.5 million.

7. Within 30 days of the issuance of a Commission decision in the sales dockets, U S WEST will submit, for Staff's review and approval, a detailed description of the accounting procedures it intends to utilize to track the expenditures on held orders and facilities upgrades discussed in item 6 above.

8. U S WEST agrees to modify its tariffs on new connections to conform to the language contained in Schedule 2. U S WEST agrees to submit these tariff changes to the Commission within 30 days of the issuance of a Commission decision in the sales dockets.

9. The investment referred to in item 6 is not indicative of the total capital budget amount for the state of Arizona.

10. Except as otherwise expressly provided in this Agreement, all the provisions of this agreement have been negotiated for settlement purposes only, and neither Staff nor any other party to this agreement has approved, accepted, agreed to or otherwise waived, on a prospective basis, its position on the appropriate treatment of any gain on the sale of utility assets.

11. Following Arizona Corporation Commission approval without additions or modifications, U S WEST will proceed with the proposal on held orders. Following Arizona Corporation Commission approval, Federal Communications Commission approval, and the consummation of the three sale transactions, the other agreements of U S WEST, Staff and the Buyers will take effect.

12. The provisions of this Agreement are not severable and shall become effective only after the Commission shall have entered an order approving this Agreement without modification. In the event this Agreement is not approved by the Commission in the form submitted, it shall be deemed withdrawn, and the stipulations contained herein shall be void.

Decision No. 58763

FROM

13. This agreement is contingent upon the execution and approval by the Commission of the corresponding agreement between staff and the buyers in these sales dockets.

U S WEST COMMUNICATIONS, INC.

By: 

DONALD A. BLISS
Arizona Vice President

ARIZONA CORPORATION COMMISSION STAFF

By: 

GARY TAQUINTO
Director, Utilities Division

uwest\octagmr.01

Decision No. 58763

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FROM

SCHEDULE 1

Page 1 of 1

- 1) Replace any remaining analog switching equipment not included in the rural modernization plan.
- 2) Replace or rehabilitate plant that is contributing to excessive service related complaints from customers such as, but not limited to:
 - a. Deteriorated and/or antiquated exchange facilities that create service problems during wet weather conditions
 - b. Open wire type facilities
- 3) Upgrade and expand exchange facilities to facilitate one-party service.
- 4) Upgrade and expand facilities that would enable U S WEST to introduce modern services (e.g. video-conferencing).

Decision No. 58763

FROM

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SCHEDULE 2
Page 1 of 2

I. TARIFF 4.1.10

Presently this tariff reads as follows:

"All necessary construction will be undertaken at the discretion of the Company consistent with the budgetary responsibilities and consideration for the impact on the general body of rate payers."

U S WEST agrees to modify this tariff to read as follows:

"All necessary construction will be undertaken at the discretion of the Company consistent with the budgetary responsibilities and consideration for the impact on the general body of rate payers, but in no case more than six (6) months after the request for service necessitating the construction. U S WEST bears all responsibility for informing customers on a timely basis of all conditions necessary to establish service."

II. LINE EXTENSION CHARGES AND GROUPING OF APPLICANTS

U S WEST agrees to adopt a tariff in Arizona similar to the one it has in Oregon for grouping of applicants for service (Oregon Tariff Section 21, No. II.E - "Collective Application and Grouping of Applicants). This tariff would require U S WEST to conduct a survey in an area where new facilities would have to be constructed in order to serve an applicant for service. This would also allow U S WEST to better plan the type and amount of facilities it should install in this new area.

III. TARIFF 4.2.1.3 AND TARIFF 4.2.1.4

Tariff 4.2.1.3 reads as follows:

"Applicants requesting service at locations that have been served previously will not be assessed a Zone Connection Charge if the feeder and distribution facilities used to provide the previous service are still in place and available for reuse."

SCHEDULE 2
Page 2 of 2

Tariff 4.2.1.4 reads as follows:

"Applicants requesting service at locations that have not been served previously but will be provided service by a facility that has previously been in use will be assessed a Zone Connection Charge if any new facility arrangements are necessary. The applicants will generally not be subject to additional construction charges as specified in 4.2.2."

U S WEST agrees to modify tariff 4.2.1.3 to read as follows:

"Applicants requesting service at locations that have been served previously will not be assessed a Zone Connection Charge."

U S WEST agrees to eliminate Tariff 4.2.1.4.

IV. TARIFF SECTION 4.1

U S WEST agrees to add the following language to Section 4.1 of its tariffs:

"Applicants requesting service at locations that have been served previously will not be assessed construction charges. Construction charges will be associated with the premises for which they were established rather than the customer. Credit for construction charges will not be transferred from one premises to another."

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EXHIBIT 2

SETTLEMENT AGREEMENT

This agreement is entered into this 15th day of JULY, 1994 between the Arizona Corporation Commission Staff ("Staff") and Midvale Telephone Exchange, Tabletop Telephone Company, Inc. and Copper Valley Telephone, Inc. ("the Buyers"). The parties agree as follows:

1. This Agreement resolves all issues that exist between the Buyers and Staff in Docket Nos. U-2727-93-189, U-2532-93-190, and U-2724-93-191 (the "sales dockets").

2. Midvale, Tabletop, and Copper Valley ("the Buyers") agree to adopt a uniform interLATA and intraLATA access rate of \$0.08 per minute, and a uniform billing and collection charge of \$0.085 Per message.

3. The Buyers agree to offer equal access at the time that digital switches are installed according to the time frames contained in Schedule 1.

4. At a minimum, the Buyers agree to upgrade facilities according to the amounts and time frames contained in Schedule 1.

5. The Buyers agree to implement Extended Area Service (EAS) in Aguila, Clifton and Duncan as proposed by Staff in Docket No. E-1051-93-183. EAS in these areas is to be implemented at the time that digital switches are installed.

6. The Buyers of the Young Exchange (Midvale) agree to increase the initial equity investment from \$50,000 to \$70,000, and to increase that equity investment in whatever amount is necessary to achieve positive cash flow in four out of the first five years of operations.

7. The Buyers agree to file in their tariffs the maps contained in Schedule 2.

8. The Buyers agree to not file general rate cases for a period of four (4) years from the time of closing.

9. The Buyers agree to forego seeking recovery of the acquisition adjustment in future rate proceedings.

10. The provisions of this Agreement are not severable and shall become effective only after the Commission shall have entered an order approving this Agreement without modification. In the event this Agreement is not approved by the Commission in the form submitted, it shall be deemed withdrawn, and the stipulations contained herein shall be void.

Decision No. 58763

FROM

11. This agreement is contingent upon the execution and approval by the Commission of the corresponding agreement between Staff and U S WEST in these sales dockets.

ARIZONA CORPORATION COMMISSION STAFF

By: 

GARY YACUBOTO
Director, Utilities Division

MIDVALE TELEPHONE EXCHANGE

By: 

TABLETOP TELEPHONE COMPANY, INC.

By: _____

COPPER VALLEY TELEPHONE, INC.

By: _____

Decision No. 58763

FROM

11. This agreement is contingent upon the execution and approval by the Commission of the corresponding agreement between Staff and U S WEST in these sales dockets.

ARIZONA CORPORATION COMMISSION STAFF

By: 

GARY YAQUINTO
Director, Utilities Division

MIDVALE TELEPHONE EXCHANGE

By: _____

TABLETOP TELEPHONE COMPANY, INC.

By: _____

COPPER VALLEY TELEPHONE, INC.

By: 

uswest/azcom

Decision No. 58763

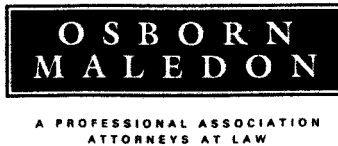
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Joan S. Burke

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Direct Fax 602.640.6074

jsburke@omlaw.com

June 25, 1999

Timothy Berg, Esq.
FENNEMORE CRAIG, P.C.
3003 N. Central Ave., Suite 2600
Phoenix, AZ 85012-2913

Re: Docket No. T-01051B-99-0105

Dear Tim:

Enclosed are the original executed copies of Exhibit A to the Protective Agreement in this matter for the following people:

Natalie Baker
Eileen Boffa
Douglas Denney
Carla Dickinson

Klayton Fennell
Warren Fischer
Teresa Hunt
Alan Knepper

Arleen Starr
Victoria Smith
Patricia vanMidde
Rick Wolters

The individuals listed in bold above are AT&T employees who have been designated by counsel for AT&T as experts in this proceeding ("Exhibit B" list). None of these employees are engaged in the sale or marketing of AT&T products or services. We expect to forward to you a few additional copies of Exhibit A in the next two weeks.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Joan S. Burke

Enclosures
JSB/efb
308664

EXHIBIT "A"

I have read the foregoing Protective Agreement dated May 7, 1999, in Docket No. T-01051B-99-0105 and agree to be bound by the terms and conditions of such Agreement.

Wlayton Foster Fennell

Name

1454 Williams St.
Denver, CO 80218

Residence Address

AT&T

Employer or Firm

1875 Lawrence St; Ste 1071
Denver, CO 80202

Business Address

AT&T

Party

Wlayton Foster Fennell

Signature

5/18/1999

Date